Commonwealth of Virginia

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Report of the Comptroller to the Governor of Virginia-- A Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1986

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Additional copies of this report may be obtained from the
Comptroller, Commonwealth of Virginia, P.O. Box 6-N,
Richmond, Virginia 23215.

Pictorial Theme of Report—America's Virginia-Born Presidents

The achievements of the eight Virginia-born American presidents and their impact on our lives can be felt in many ways. The very nature of the office of president and the role of the federal government that we know today was shaped and guided by such native Virginians as Washington, Jefferson, Madison and Monroe. In Virginia, standing structures associated with at least some event in the lives of these presidents survive for seven of the eight. These structures form the pictorial theme for this year's Annual Report of the Comptroller.

A role call of the best known of these historic sites presents some of the most original architectural forms in the Western World. The personal expressions of Thomas Jefferson at Monticello, the University of Virginia and in his State Capitol, together with the familiar square-columned portico of George Washington's Mount Vernon, form an internationally-famous quartet of Virginia treasures.

Other buildings fit more into the mainstream of the Commonwealth's rich architectural history, such as the handsome James River mansion of the Harrison family and the sophisticated Classical Revival facade of James Monroe's Northern Virginia estate Oak Hill. Today, many of these publically- and privately-owned places are regularly opened to the public or opened during Historic Garden Week in the springtime.

The survival of these historic landmarks is often a story of preservation in the face of threatened demolition or the deterioration of time—a tale sometimes as dramatic as the presidential biographies of their earlier residents. The dedicated work to preserve these buildings over the years only serves to underline the importance of the historic figures they represent. A visit to places known and loved by them can be a moving reminder of the Virginia roots of these American presidents.

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Office of the Comptroller

Edward J. Mazur, C.P.A.
Comptroller

P.O. Box 6-N
Richmond, Virginia 23215

December 15, 1986

The Honorable Gerald L. Baliles
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia

Dear Governor Baliles:

In compliance with the provisions of Section 2.1-207 of the *Code of Virginia*, I hereby submit my report on the financial condition of the Commonwealth of Virginia for the fiscal year ended June 30, 1986. As further elaborated upon within the remainder of this letter, my report presents the performance of the Commonwealth on both the cash and the modified accrual bases of accounting. Under the cash basis, which is the basis we use for developing our budgets and for controlling daily activities, our performance resulted in a General Fund surplus of $31.6 million and a total balance in the General Fund of $359.7 million at June 30, 1986. Under the modified accrual basis, which we employ in order to conform with financial reporting standards for governments and to meet the information needs of the financial community, our performance resulted in a total General Fund balance of $155.6 million.

The performance of the Commonwealth on a cash basis indicates that we continue in our ability to maintain adequate and appropriate balances necessary to support the complex operations of State government, and, further, that we continue in our ability to adequately anticipate incoming financial resources and to control expenditures. The Commonwealth's sustained ability to present its financial performance on a modified accrual basis demonstrates both a maturity in the application of financial accounting policies and techniques, as well as a strong commitment to the financial community, who purchase the Commonwealth's bonds, that they will be provided with objective information concerning the condition of the Commonwealth. It is this combination of sound balances on a cash basis together with a thoroughness of disclosure that assists the Commonwealth in maintaining its "triple A" bond rating.

This comprehensive annual financial report has been prepared in conformance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The elimination, with this year's report, of any exceptions to generally accepted accounting principles (GAAP) represents the successful culmination of over six years of effort by the Department of Accounts to systematically create new systems and procedures designed to record and report information required by GAAP. The elimination of the final exception to complete conformity with GAAP was achieved through the completion in fiscal year 1986 of a four-year, phased effort to record and report all material fixed assets held by agencies and institutions of the Commonwealth. This year's report reflects the inclusion within governmental fund types and higher education of $3.4 billion in gross fixed assets and the inclusion within proprietary funds of $65.0 million in assets, net of depreciation.

During the past year, I have provided comments, on several occasions, to GASB regarding exposure drafts and other proposals that are under consideration by GASB. I believe that the interests of the Commonwealth, as well as the requirements of national standard setting

activities, make it highly desirable for the Comptroller to play an active role in assisting GASB. In addition, we have continued our strong commitment to conform to the uniform reporting procedures recommended by the Government Finance Officers Association (GFOA), regarding the preparation and publication of comprehensive annual financial reports.

Having attained the highest level of conformance with generally accepted accounting principles, and having made a thorough effort to conform to GFOA's uniform reporting format, the Commonwealth of Virginia remains in the forefront of states that are actively seeking to bring their financial reporting into full compliance with national standards. Maintaining a progressive position in the financial reporting area is consistent with our objective of providing the users of our financial statements, including those in the investment community, with a complete disclosure of financial position. It is also consistent with our objective of improving the ability of the State's senior management to evaluate the financial condition of the Commonwealth.

Management's Responsibilities

This report has been prepared by the Department of Accounts, whose management is responsible for the integrity and objectivity of the financial statements and other information presented herein. The combined financial statements are considered by management to present fairly the Commonwealth's financial position, results of operations, and changes in fund balances. We believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

In part, the basis for these conclusions relates to our assessment of the internal controls operating within the Commonwealth. The establishment of such internal controls requires estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost of controls should not exceed the benefits obtained. I believe the Commonwealth's internal accounting controls adequately safeguard its assets and provide reasonable assurance as to the proper recording of financial transactions.

Independent Audit

In accordance with the provisions of Section 2.1-155 of the *Code of Virginia*, the Auditor of Public Accounts' opinion letter, covering his examination of the Commonwealth's financial statements for the year ended June 30, 1986, is included herein. The Auditor's examination was conducted in accordance with generally accepted auditing standards.

General Fund Condition—Budgetary Basis

The General Fund is an important point of focus in determining the overall financial condition of the Commonwealth. Virginia uses the cash basis of accounting for budgetary purposes. Under this basis, revenues and expenditures are recorded at the time cash is actually received or disbursed in accordance with the provisions of the Appropriations Act. This basis of accounting is widely accepted for budget purposes and has been used in Virginia for many years. My report includes statements and schedules that present the financial activity of the General Fund of the Commonwealth on a cash basis.

Fig. 1 **General Fund Balance—Cash Basis—Highlighting the Undesignated Fund Balance**
(Dollars in Millions)

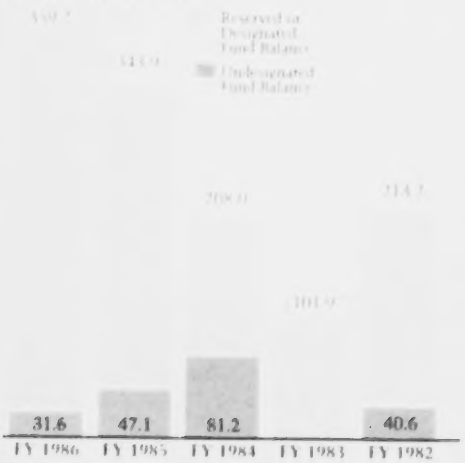


Fig. 2 **Analysis of General Fund Budget**
(Dollars in Millions)

	Original Revenues	Revisions Incorporated in FY 1986	FY 1986
Beginning Fund Balance			
Operating	$ 43.0	$ 43.0	
Capital Outlay			
Reappropriations	56.8	56.8	
Total	99.8	99.8	$ 172.9
Estimated Revenues	7,966.2	8,795.9	8,170.9
Other Financing Sources	154.5	86.7	67.8
Total Available Funds	8,220.5	8,982.4	8,411.0
Appropriations (a)	(7,786.1)	(8,753.5)	(8,032.6)
Capital Outlay	(257.2)	(56.0)	(201.2)
Ending Fund Balance	$ 177.2	$ 172.9	$ 177.2

(a) Appropriations consist primarily of operating expenditures and transfers to the Higher Education Fund.

Fig. 3 **Analysis of Budget vs. Actual General Fund Activity (a)**
(Dollars in Millions)

	Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, July 1, 1985	$ 343.9	$ 343.9	$
Revenues, ABC Profits, and Appropriations Act Transfers	4,170.5	4,179.4	8.9
Expenditures and Other Uses	(4,338.7)	(4,163.6)	175.1
Net Effect on Fund Balance	(168.2)	15.8	184.0
Fund Balance, June 30, 1986	$ 175.7	$ 359.7	$ 184.0

(a) This budget analysis includes subsequent executive appropriations, reappropriations, and transfers which are not included in Figure 2, Analysis of General Fund Budget.

Figure 1 illustrates the fund balances of the General Fund at the end of each fiscal year since June 30, 1982, and highlights the undesignated portion. The undesignated portion denotes the surplus that existed at the end of each fiscal year.

Figure 2 illustrates the General Fund activity as planned by the General Assembly and as recorded in Chapter 619, Acts of Assembly, and later revised by Chapter 221. The budgeted amounts for capital outlay include $56.8 million in reappropriations from prior years, plus $200.4 million in additional capital outlays authorized by Chapter 221. The development and approval of the biennial budget is, in essence, the beginning of the financial transaction process. After approval of the budget by the General Assembly, budgetary control is maintained by a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of departmental or agency budgets by "program."

Figure 3 illustrates the Governor's actions to stay within the limits of appropriations made by the General Assembly. The analysis of budget versus actual performance is derived from the statement in this report entitled, "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds." As Figure 3 indicates, the Commonwealth received $8.9 million more in revenues, ABC profits, and Appropriations Act transfers than planned. The increased revenues and reduced expenditures resulted in $184.0 million more than planned being added to the fund balance of the General Fund.

General Fund Condition—Accrual Basis

Although the Commonwealth budgets and manages its financial affairs on the accepted cash basis of accounting, the nation's financial community has encouraged states to also include, in their annual reports, financial statements that are prepared on the modified accrual basis of accounting. This basis more adequately serves their analytical and other needs. As noted above, the Commonwealth has responded to these reporting needs by completing a series of modifications to its systems and procedures, over a six-year period, that has resulted in full compliance with generally accepted accounting principles. Also, as noted earlier, the attainment of a full GAAP presentation for fiscal year 1986 required completing the last stages of recording and reporting all material fixed assets of the Commonwealth. All changes made in prior years that permit reporting such items as receivables, payables, certain accrued expenditures, and leases continue in force and are appropriately reflected in these financial statements.

As required under the modified accrual basis of accounting, these financial statements reflect certain receivables and accrued revenues, amounting to $255.3 million, and certain accounts payable and accrued liabilities, amounting to $459.4 million. Accounts payable and accrued liabilities exceeded receivables and accrued revenues by $204.1 million at year-end. These items, which are illustrated in Figure 4, are transactions associated with the year ending June 30, 1986; however, the cash will not be received nor disbursed until fiscal year 1987.

Analysis of Revenues and Expenditures

General Fund revenue (excluding ABC and Appropriations Act Transfers) (Fig. 5) for the year ended June 30, 1986, was $4.1 billion, or 9% greater than the preceding year. The primary sources of this increase were a $226 million increase in Individual Income Taxes and a $92 million increase in Sales and Use Taxes. Revenue for the current year was .2% over the projected amount. As Figure 5 indicates, anticipated General Fund revenues for the coming fiscal year are expected to be approximately $4.4 billion, or 7.6% over fiscal year 1986.

General Fund expenditures (Fig. 8) for the current year were $3.4 billion, or 12.7% greater than the preceding year. The primary areas which comprise this increase were a $199 million increase in Education and a $81 million increase in Individual and Family Services expenditures.

For informational purposes, Figures 6 and 9 present the composition of the revenue dollar for the General Fund and for all activities of the government, respectively. In a similar manner, Figures 7 and 10 present the composition of the expenditure dollar for the General Fund and for all activities of the government, respectively. These presentations are intended to provide information regarding the sources and uses of dollars received.

Fig. 5 **Schedule of General Fund Revenue—Budgetary Basis**
For the Years Ended June 30, 1986, and 1985
(Dollars in Millions)[1]

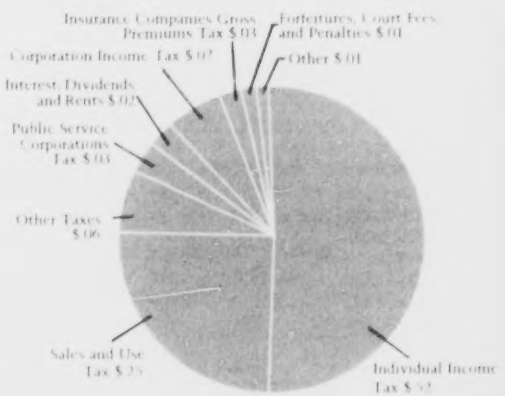
	Actual			Budget		Projection	
	FY 1986	FY 1985	% FY 1986 Over (Under) FY 1985	FY 1986	% FY 1986 Actual Over (Under) Budget	[2] FY 1987 Revenue Estimates	% FY 1987 Estimates Over (Under) FY 1986 Actual
Individual Income Taxes	$ 2,174	$ 1,948	11.6	$ 2,145	1.4	$ 2,362	8.6
Sales and Use Taxes	1,023	931	9.9	1,027	(.4)	1,109	8.4
Corporation Income Tax	281	288	(2.4)	319	(11.9)	285	1.4
Public Service Corporations	135	138	(2.2)	130	3.8	142	5.2
Premiums of Insurance Companies	131	109	20.2	112	17.0	121	(7.6)
Other Taxes	219	204	7.4	219	—	228	4.1
Other Revenues	169	173	(2.3)	172	(1.7)	200	18.3
Total Revenue	$ 4,132	$ 3,791	9.0	$ 4,124	.2	$ 4,447	7.6

[1] Revenues exclude transfers.
[2] FY 1987 revenue estimates are from the 1986 Appropriations Act. Estimates are subject to revision by the Administration, with the approval of the General Assembly.

Fig. 4 **Summary of Accrued Receivables and Payables—General Fund**
(Dollars in Millions)

Receivables and Accrued Revenues:	
Transfer of 4th Quarter ABC Profits to General Fund	$ 6.5
Accounts Receivable	5.0
Sales Taxes Receivable	95.4
Withheld Taxes Receivable	127.1
Other Taxes Receivable	21.3
Total Receivables	255.3
Payables and Accrued Expenditures:	
Tax Refunds Payable	36.0
Deferred Credit	257.4
Accounts Payable	73.7
Sales Tax Due to Localities	68.8
ABC Profits Due to Localities	4.0
Other Payments Due to Localities	.7
Due to Other Funds	18.8
Total Payables	459.4
Payables and Accrued Expenditures Over Receivables and Accrued Revenues	$(204.1)

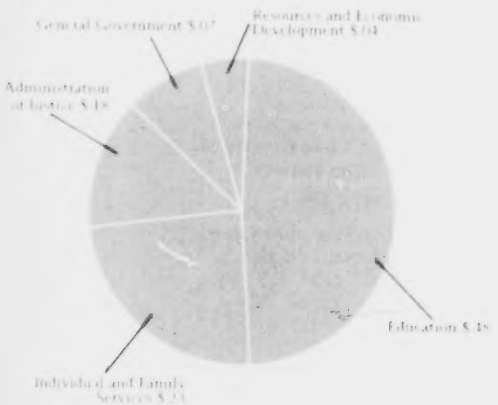
Fig. 6 **Revenue Dollar**
General Fund—Fiscal Year 1986
(Budgetary Basis)[1]


Insurance Companies Gross Premiums Tax $.03
Forfeitures, Court Fees and Penalties $.01
Corporation Income Tax $.07
Other $.01
Interest, Dividends and Rents $.02
Public Service Corporations Tax $.03
Other Taxes $.06
Sales and Use Tax $.25
Individual Income Tax $.52

	FY 1986	FY 1985
Individual Income Tax	$ .52	$ .51
Sales and Use Tax	.25	.25
Corporation Income Tax	.07	.08
Public Service Corporations Tax	.03	.04
Insurance Companies Gross Premiums Tax	.03	.03
Other Taxes	.06	.05
Interest, Dividends, and Rents	.02	.02
Forfeitures, Court Fees, and Penalties	.01	.01
Other	.01	.01
Total	$ 1.00	$ 1.00

[1] Revenues exclude transfers.

Fig. 7 **Expenditure Dollar**
General Fund—Fiscal Year 1986
(Budgetary Basis)



	FY 1986	FY 1985
Education	$ .48	$ .48
Individual and Family Services	.23	.24
Administration of Justice	.18	.17
General Government	.07	.07
Resources and Economic Development	.04	.04
Total	$ 1.00	$ 1.00

Fig. 8 **General Fund Expenditures By Function** (Budgetary Basis)
(Dollars in Millions)

	FY 1986	FY 1985	% Increase (Decrease)	FY 1986 % of Total
General Government	$ 242	$ 223	8.5	7.0
Education	1,651	1,452	13.7	48.0
Transportation	12	8	50.0	.4
Resources and Economic Development	117	110	6.4	3.4
Individual and Family Services	799	718	11.3	23.3
Administration of Justice	612	534	14.6	17.8
Enterprises	5	5	—	.1
Total Expenditures	$ 3,438	$ 3,050	12.7	100.0

Debt Administration

Virginia has traditionally received excellent bond ratings from both Moody's Investors Service and Standard & Poor's Corporation, reflecting our long-standing record of sound fiscal management, our diversified economic base, and low-debt ratios. The Commonwealth funds substantial amounts of capital outlay expenditures from current revenues of the General Fund and from non-general fund sources each fiscal year and, accordingly, limits its issuance of bonded debt. A total of $353.8 million in bonds backed by the full faith and credit of the Commonwealth were outstanding at June 30, 1986. Of that amount, $274.9 million were being serviced from revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities, and toll highways. Debt service payments on the balance of $78.9 million, will be funded from tax revenues. Principal and interest payments on this portion of the Commonwealth's long-term obligations were less than 0.3% of total General Fund expenditures in fiscal year 1986.

The General Fund, through direct appropriations, also contributes debt service payments to the Virginia Public Building Authority and the Virginia Port Authority. Principal and interest payments, when coupled with General Obligation payments mentioned above, were less than 1.0% of General Fund expenditures.

During fiscal year 1986, the Commonwealth issued $41.1 million in general obligation bonds, all of which financed revenue-producing projects operated by institutions of higher education. These bonds were rated "triple A" by both major rating agencies. In fiscal year 1987, the Commonwealth expects to issue approximately $185 million in long-term general obligation bonds, including up to $75 million to advance refund bonds issued in 1982. All of these bonds will be for revenue-producing capital projects.

Investment of Available Cash

The Commonwealth pools all of its available cash into a general account from which it makes investments in a variety of instruments. The average daily invested balance for the year ended June 30, 1986, amounted to $924 million. This balance was invested as follows: 12% in Repurchase Agreements, 51% in U. S. Government and Agency Securities, 34% in Money Market Securities, and 3% in Time Deposits. Maturities for these investments ranged from one day to five years. For fiscal year 1985-1986, the average yield on investments was 9%, as compared to a yield of 10.4% during fiscal year 1984-1985. Total interest earned from available balances was $83.1 million. This represented a decrease of $2.4 million from the previous year.

Reporting Entity

This report includes funds, account groups, and entities for which the Commonwealth exercises oversight authority. The *Codification of Governmental Accounting and Financial Reporting Standards*, which is published by GASB and embodies the National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity," specifies the criteria used in the determination of oversight authority. The criteria for inclusion is determined on the basis of accountability for fiscal matters, selection of governing authority, scope of public service, and the ability to significantly influence operations. The inclusion of an organization in the general purpose financial statements in no way alters the defined prerogatives of the

management of the organization, the organization's charter, statutory authority, or legal characteristics or conditions. The following organizations (component units) meet the oversight criteria established by Statement 3 and have been included in the Commonwealth's financial statements:

- Virginia Housing Development Authority (VHDA)
- Virginia Education Loan Authority (VELA)
- Virginia International Terminals, Inc. (VIT)
- Virginia Resources Authority (VRA)
- State Education Assistance Authority (SEAA)
- Virginia Public Building Authority (VPBA)
- Virginia Public School Authority (VPSA)

The first five organizations are included within the Enterprise Funds as Enterprise Funds—Public Benefit Corporations. These Public Benefit Corporations are public corporations empowered by the *Code of Virginia* to provide certain services to the citizens of the Commonwealth, but which are not agencies of the Commonwealth. Information detailing the financial activity of each Public Benefit Corporation appears in the Combining Fund Statements for Enterprise Funds.

The Virginia Economy

Immediately following this letter of transmittal is an analysis of the Virginia economy that will assist readers in understanding the past economic performance of the Commonwealth. The analysis, which was developed by the Tayloe Murphy Institute at the University of Virginia, should contribute to an appreciation of the essential strength of the Virginia economy.

Acknowledgments

I wish to express my sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by financial and management personnel within the Department of Accounts, Department of the Treasury, Department of Planning and Budget, Office of Graphic Communications, and numerous other State agencies.

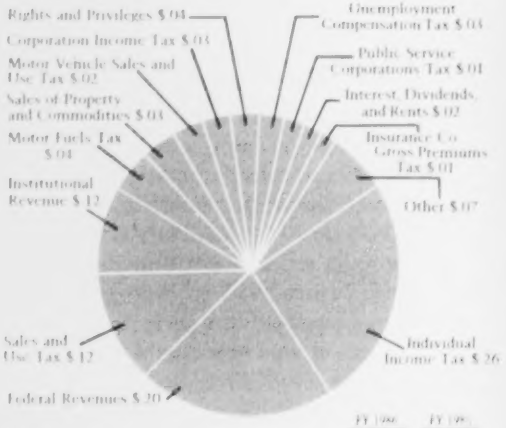
This comprehensive annual financial report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,

Edward J. Mazur

Edward J. Mazur
Comptroller of the Commonwealth of Virginia

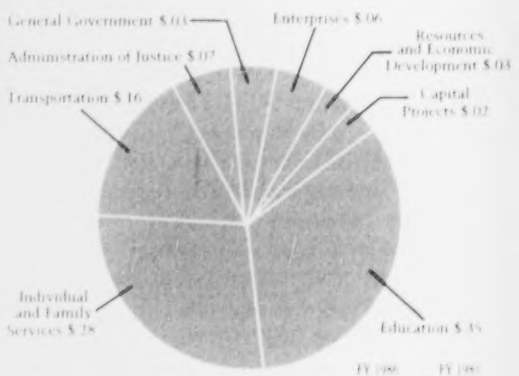
Fig. 9 **Revenue Dollar**
All Funds—Fiscal Year 1986
(Budgetary Basis)[1]


Rights and Privileges $.04
Corporation Income Tax $.03
Motor Vehicle Sales and Use Tax $.02
Sales of Property and Commodities $.03
Motor Fuels Tax $.04
Institutional Revenue $.12
Sales and Use Tax $.12
Federal Revenues $.20
Unemployment Compensation Tax $.03
Public Service Corporations Tax $.01
Interest, Dividends, and Rents $.02
Insurance Co. Gross Premiums Tax $.01
Other $.07
Individual Income Tax $.26

	FY 1986	FY 1985
Federal Revenues	$ .20	$ .18
Individual Income Tax	.26	.25
Sales and Use Tax	.12	.12
Institutional Revenue	.12	.12
Motor Fuels Tax	.04	.04
Sales of Property and Commodities	.03	.03
Corporation Income Tax	.03	.04
Rights and Privileges	.04	.04
Unemployment Compensation Tax	.03	.04
Public Service Corporations Tax	.01	.02
Interest, Dividends, and Rents	.02	.02
Insurance Co. Gross Premiums Tax	.01	.01
Motor Vehicle Sales and Use Tax	.02	.02
Other	.07	.07
Total	$ 1.00	$ 1.00

[1] Revenues include ABC Profit transfers, Appropriations Act transfers, and certain other transfers.

Fig. 10 **Expenditure Dollar**
All Funds—Fiscal Year 1986
(Budgetary Basis)



	FY 1986	FY 1985
Education	$ .35	$ .35
Individual and Family Services	.28	.29
Transportation	.16	.14
Administration of Justice	.07	.07
Enterprises	.06	.06
General Government	.03	.04
Capital Projects	.02	.02
Resources and Economic Development	.03	.03
Total	$ 1.00	$ 1.00

The Virginia Economy

The state government's financial health is closely related to the condition of the economy. This section of the report contains information developed by the Tayloe Murphy Institute at the University of Virginia and provides the reader with a brief review of the Commonwealth's economic performance in relation to the nation's during the past five years. The analysis and related graphs report information for the period from 1981 to 1985 and, whenever possible, for early 1986.

The nation was entering a long recession in 1981. From July, 1981, to November, 1982, real gross national product (GNP), a broad measure of the nation's output adjusted for inflation, declined steadily. In the subsequent economic recovery, real GNP grew at an annual rate of 4.7% from the fourth quarter of 1982 to the second quarter of 1985. Since then, GNP has grown at a slower rate, rising at only a 0.6% rate in the second quarter of 1986.

Although the national economy influences Virginia's economy, the Commonwealth fared better than the nation as a whole during the 1981–82 recession (Figure 11). More recently, Virginia has been less affected than the country generally by the current slowdown in national economic growth. Virginia's share of national personal income (Figure 12) has risen more during periods when the national economy did not perform well.

The per capita income figures (Figure 13) reflect the strong growth in Virginia's personal income. In 1981, Virginia's per capita personal income exceeded the nation's for the first time and has remained higher since then. Virginia's 1985 per capita personal income was $14,164, compared to $13,451 for the nation and $12,897 for the South Atlantic region.[1] On a percentage basis, Virginia's 1985 per capita personal income was 105.3% of the national average and 109.8% of the South Atlantic figure. The state ranks 11th in the nation and third in the South Atlantic region (behind the District of Columbia and Maryland).

The period from 1981 to early 1986 has been marked by significant disinflation. The growth in the consumer price index (Figure 14) fell from its double-digit rate (10.1%) in the first quarter of 1981, to register its first quarterly decline in over 30 years during the first quarter of 1986 (−0.1%). Similarly, the producer price index, which was growing at 10.9% annually in the first quarter of 1981, registered a decline at a rate of −6.7% annually in the first quarter of 1986. This index first registered a negative growth in the third quarter of

Fig. 11

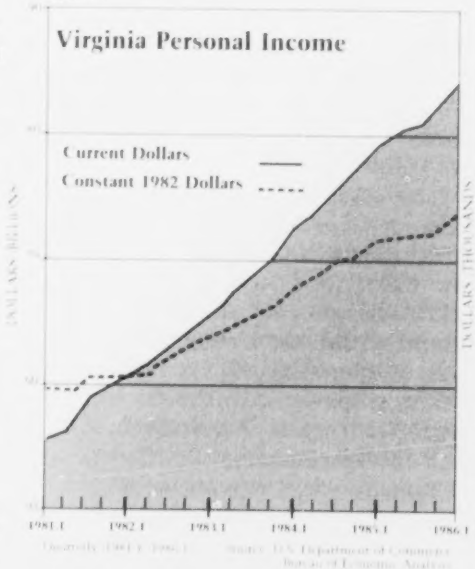


Fig. 13

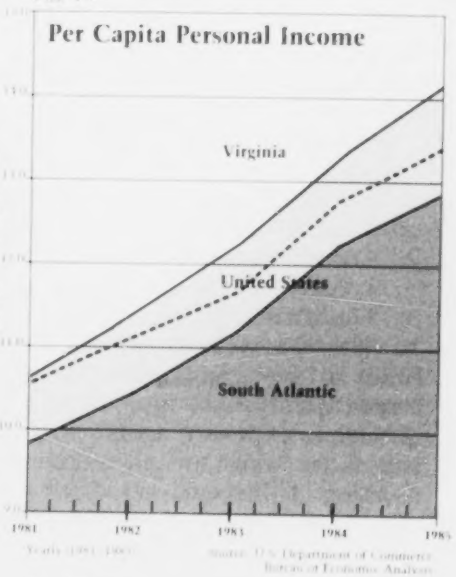


Fig. 12

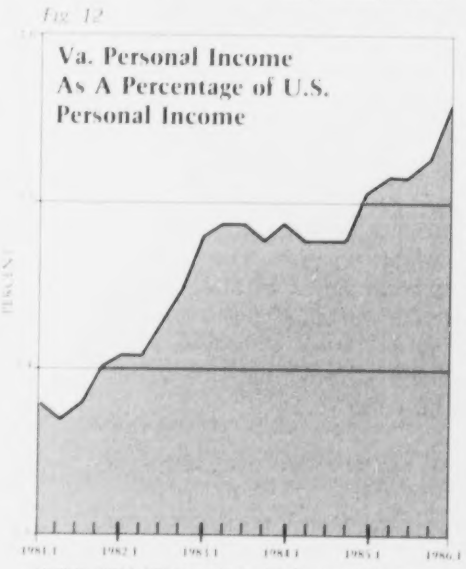


Fig. 14

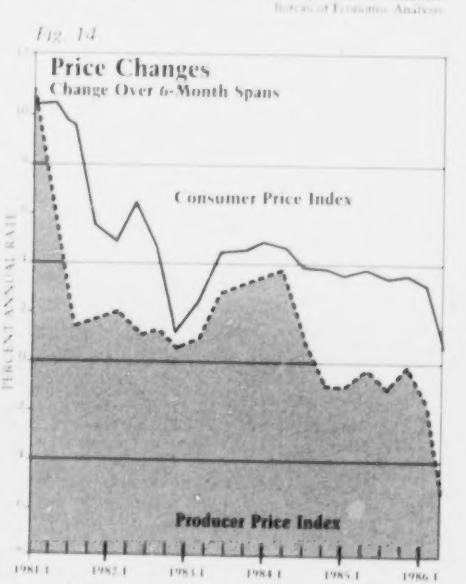
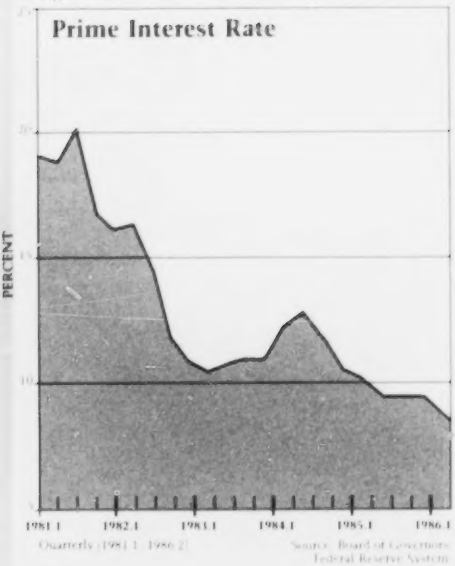


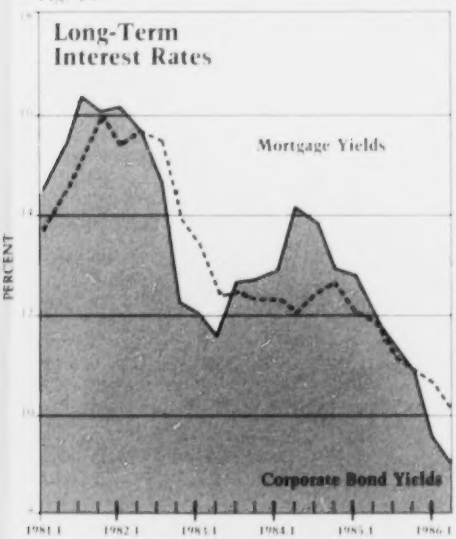
Fig. 15



Quarterly (1981:1–1986:2)

Source: Board of Governors Federal Reserve System

Fig. 16



Quarterly (1981:1–1986:2)

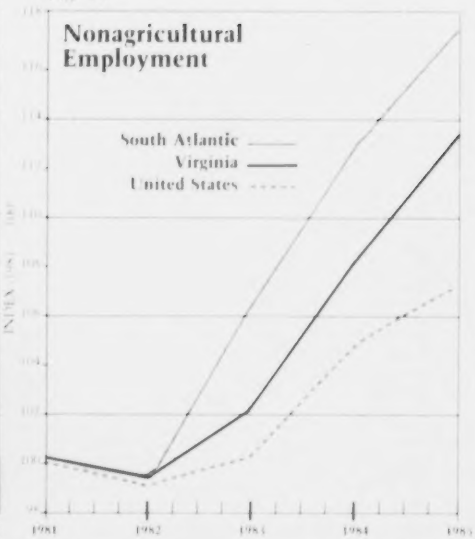
Sources: Department of Treasury (Corporate Bond Yields); Federal Home Loan Bank Board (Home Mortgage Yields)

Fig. 17 **Virginia Nonagricultural Wage and Salary Employment**

	Employment (In Thousands of Employees)				
Industry Group	**1981**	**1982**	**1983**	**1984**	**1985**
Manufacturing	414.0	397.2	403.6	421.3	423.3
Mining	21.7	22.1	17.4	18.3	17.3
Construction	116.3	103.8	114.9	132.8	151.3
Transportation and Public Utilities	117.6	119.0	120.4	127.2	131.8
Wholesale and Retail Trade	460.4	462.4	480.2	516.5	545.2
Finance, Insurance and Real Estate	106.1	106.9	110.1	117.1	122.9
Services	418.3	434.8	460.4	495.1	537.6
Federal Government	156.7	160.7	162.9	166.0	168.1
State Government	123.2	120.9	120.1	119.9	123.3
Local Government	226.7	218.5	217.9	219.0	226.3
Total	2,161.0	2,146.3	2,206.9	2,333.2	2,447.0

Source: Virginia Department of Labor and Industry

Fig. 18



Yearly (1981–1985)

Sources: U.S. Department of Labor, Bureau of Labor Statistics

1984 and has not been positive since.

The disinflation indicated by these figures was a major factor in the falling interest rates as lenders did not have to recover the "inflation premium" to offset the diminished purchasing power of the dollars they would receive in repayment. The prime rate (Figure 15) charged by banks to their best customers for short-term loans reached a new quarterly high (20.3%) in 1981; it started its downward trend during the recession and reached a low of 8.6% during the second quarter of 1986. In 1981, rates on long-term obligations (Figure 16) were also extremely high, standing at 16.3% for new issues of high-grade corporate bonds and 16.0% for new home mortgages. The rates on new issues of high-grade corporate bonds began falling after the onset of the recession. During the 1983–84 period, bond yields rose again, but the movement fell far short of the all-time highs, and yields resumed their downward movement to stand at 9.1% for the second quarter of 1986. New home mortgage rates also declined rapidly during the recession, and after being relatively stable from mid 1983–84, have continued falling until they reached 10.2%, the latest available quarterly figure.

Virginia's nonagricultural wage and salary employment (Figure 17) increased by 289,900 from 1981 to 1985. The gains all occurred after the trough of the recession in 1982. In relative terms, the 13.2% gain from 1981 to 1985 greatly exceeded the national increase of 7.2%, but fell short of the 17.5% gain made by the South Atlantic region (Figure 18). Among the major industries in Virginia, the largest percentage increase in employment during the five-year period was in the construction sector. Most of that growth occurred in 1985, probably as a result of lower inter-

est rates. Strong gains were also shown in the services, trade and finance, insurance, and real estate sectors.

Manufacturing, federal government, and transportation and public utilities had modest employment gains throughout the five-year period. State and local government employment held virtually constant and mining employment declined. To underscore the shift in Virginia's economy from manufacturing to service-producing industries, it is useful to examine the change in manufacturing employment as a percent of total nonagricultural employment (Figure 19). In 1981, manufacturing accounted for 19.2% of Virginia's employment. Despite its growth, in the four following years, it lagged behind the growth in the rest of Virginia's economy, holding only 17.37% of Virginia's employment in 1985.

From 1981 to 1982, Virginia's unemployment rate (Figure 20) rose, reaching a high of 7.9% in early 1983. By the second quarter of 1986, unemployment in the Commonwealth had fallen to 5.2%. Although the Virginia unemployment rate has followed a pattern similar to that of the national rate, it has consistently been at least 20% lower than the national average.

The number of Virginia residential building permits (Figure 21) is a good leading indicator of the health of the economy. This number declined before the onset of the recession and then increased before the end of the recession. During the present expansion, lower mortgage rates have stimulated housing. The number of permits has continued to rise, reaching a seasonally adjusted peak of 16,902 in the first quarter of 1986.

Taxable sales under the Virginia sales and use tax are a fairly good proxy for retail sales. They grew from $5.4 billion in the first quarter of 1981 to $8.6 billion in the first quarter of 1986 (Figure 22). Most of the gain prior to 1983 was the result of inflation, since taxable sales during that period remained almost constant once adjustments were made for price increases. However, taxable sales adjusted for inflation have followed an upward trend from the second quarter of 1982 but showed temporary declines in the first quarters of 1985 and 1986.

In summary, a review of the Virginia economy for the past five years indicates that economic activity in the Commonwealth has echoed national trends but with more vigor. Virginia's economy, still influenced by the end of the national recession in November of 1982, is currently expanding. The economic outlook for Virginia largely depends on the same factors that cloud the national outlook—the large federal deficit, changes in federal tax laws and expenditure programs, adverse balance of payments, and the possibility of a recession.

[1] The South Atlantic region includes the states of Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia, and the District of Columbia.

Fig. 19

Fig. 20

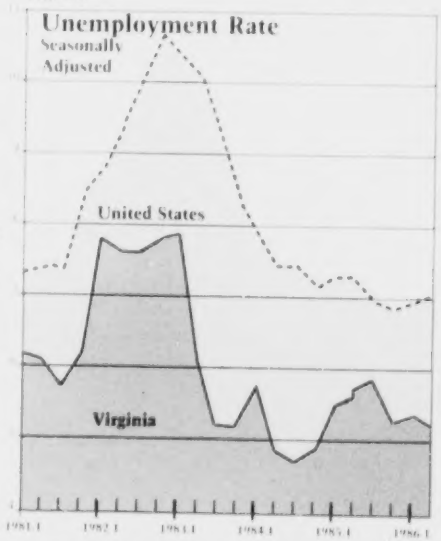


Fig. 21

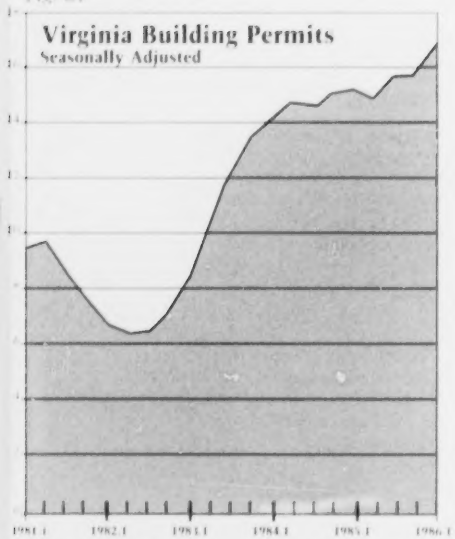
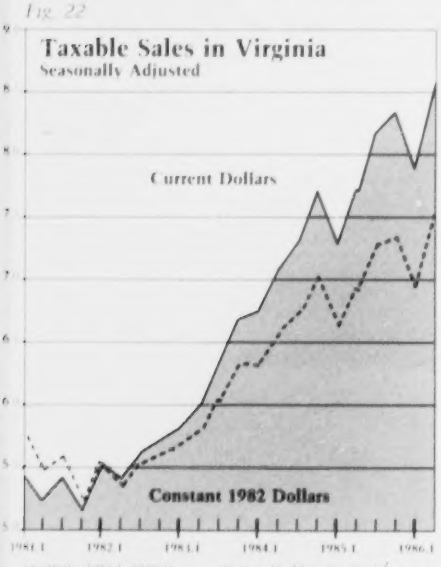

Virginia Building Permits
Seasonally Adjusted
1981.1
1982.1
1983.1
1984.1
1985.1
1986.1

Fig. 22


Taxable Sales in Virginia
Seasonally Adjusted
Current Dollars
Constant 1982 Dollars
1981.1
1982.1
1983.1
1984.1
1985.1
1986.1

Organization of Government

As of July 1, 1986

Executive

Governor

Attorney General

Department of Law

Lieutenant Governor

Chief-of-Staff

Virginia Liaison Office

Secretary of the Commonwealth

Administration

Secretary of Administration
Commission on Local Government
Compensation Board
Department of Employee Relations Counselors
Department of General Services
Department of Information Technology
Department of Personnel and Training
State Board of Elections
Virginia Supplemental Retirement System

Finance

Secretary of Finance
Department of Accounts
Department of the State Internal Auditor
Department of Planning and Budget
Department of Taxation
Department of Treasury
Treasury Board

Human Resources

Secretary of Human Resources
Department for the Rights of the Disabled
Council on Indians
Commission on Status of Women
Department for the Aging
Department of Health
Department of Health Regulatory Boards
Department of Medical Assistance Services
Department of Mental Health and Mental Retardation
Department of Rehabilitative Services
Department of Social Services
Department for Children
Department of Volunteerism
Governor's Employment and Training Department
Department for the Visually Handicapped
Department of Deaf and Hard-of Hearing
Health Services Cost Review Council

Economic Development

Secretary of Economic Development
Department of Agriculture and Consumer Services
Department of Commerce
Department of Economic Development
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals, and Energy
Milk Commission
State Department of Minority Business Enterprise
Virginia Employment Commission
Department of Forestry
Virginia Commission for the Arts

Transportation and Public Safety

Secretary of Transportation and Public Safety
Commonwealth's Attorney's Services and Training Council
Department of Alcoholic Beverage Control
Department of Aviation
Department of Corrections
Department of Criminal Justice Services
Department of Fire Programs
Department of Highways and Transportation
Department of Military Affairs
Department of State Police
Department of Motor Vehicles
Department of Correctional Education
State Department of Emergency Services
Virginia Parole Board
Virginia Port Authority

Education

Secretary of Education
Christopher Newport College
The College of William and Mary
George Mason University
The Science Museum of Virginia
Gunston Hall
University of Virginia
James Madison University
Frontier Culture Museum of Virginia
Jamestown-Yorktown Foundation
Virginia Commonwealth University
Longwood College
Virginia Community College System
Mary Washington College
Virginia Military Institute
Norfolk State University
Old Dominion University
Virginia Polytechnic Institute and State University
Radford University
Virginia State Library
State Council of Higher Education
Virginia State University
Department of Education
Virginia Museum of Fine Arts

Natural Resources

Secretary of Natural Resources
Commission of Game and Inland Fisheries
Department of Conservation and Historic Resources
Council on the Environment
Marine Resources Commission
State Air Pollution Control Board
Department of Waste Management
State Water Control Board

Legislative

Senate
House of Delegates
Auditor of Public Accounts
Commission on Veterans' Affairs
Division of Legislative Automated Systems
Division of Legislative Services
Joint Legislative Audit and Review Commission
Legislative Support Commission
Division of Capitol Police
Virginia Coal and Energy Commission
Virginia Code Commission
Virginia Commission on Intergovernmental Cooperation
Virginia State Crime Commission
Virginia Housing Study Commission
Water Commission

Judicial

Supreme Court
Court of Appeals of Virginia
Circuit Courts
District Courts
Judicial Inquiry and Review Commission
Magistrate System
Public Defender Commission
State Board of Bar Examiners
Virginia State Bar

Independent Agencies

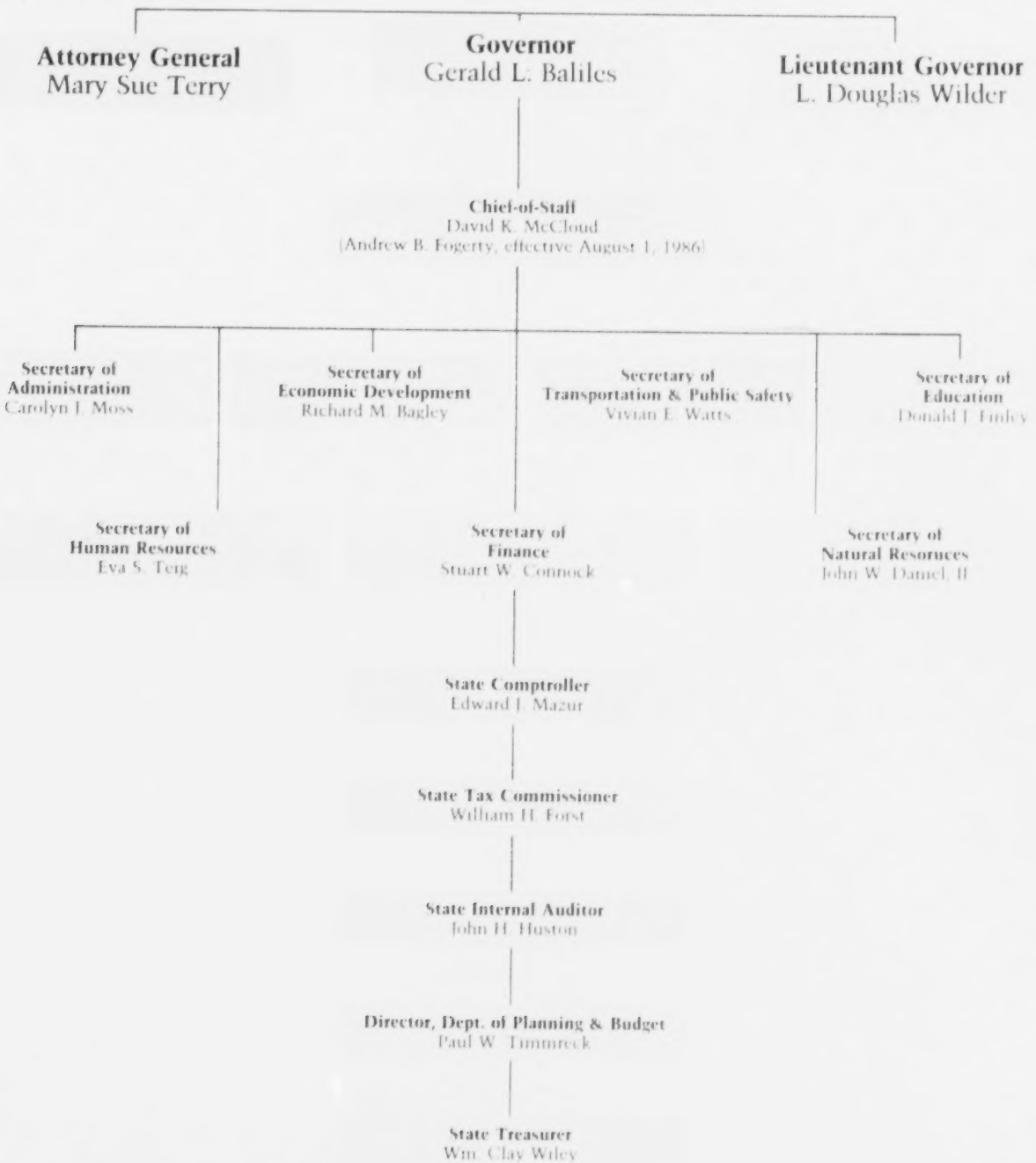
State Corporation Commission
Department of Workmen's Compensation

Public Benefit Corporations

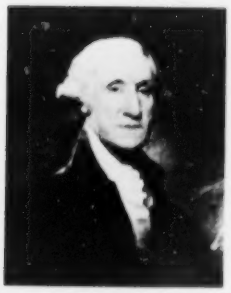
Virginia Housing Development Authority
Virginia Education Loan Authority
Virginia International Terminals, Inc.
Virginia Resources Authority
State Education Assistance Authority

Selected State Officials—Executive Branch

As of July 1, 1986



Mount Vernon



From his famous home, George Washington once wrote to an English correspondent, "No estate in United America is more pleasantly situated than this." Sited on a commanding eminence overlooking the Potomac River in Fairfax County, Mount Vernon served as the residence of the first president from 1754 until his death in 1799.

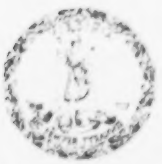
Born on February 22, 1732 at Wakefield in Westmoreland County, Washington and his family moved to Mount Vernon in 1735. The mansion, seen today by one million visitors annually, is the result of an architectural evolution that began with a small one-and-one-half story frame house built in 1742 by Lawrence Washington, the president's half brother. When Washington inherited the plantation twelve years later, he expanded the house, eventually doubling its size and raising it to two-and-one-half stories.

Between the years 1776-79, even as the Revolutionary War was being waged, General Washington had the house lengthened from five to nine bays, and in later years he added the distinctive octagonal cupola and the square-columned portico fronting the Potomac River. To support the mansion, Washington built an extensive collection of dependencies and outbuildings, which, together with the landscaped gardens, became one of the most impressive late-eighteenth century estates in the country.

Following the instructions in his will, Washington was buried at Mount Vernon in 1799. During the half-century following his death, the responsibility of maintaining the estate and entertaining the large number of visitors who wished to pay their respects to the national shrine proved to be a heavy financial burden to a succession of Washington family heirs. Finally John A. Washington, Jr. sold the estate to the Mount Vernon Ladies' Association of the Union in 1858, whose primary goal was to preserve and maintain Mount Vernon as a perpetual memorial to George and Martha Washington. Such a campaign was one of the first in the United States to promote the preservation of what is perhaps America's most-beloved historic house.

Financial Section

Auditor's Opinion 16
General Purpose Financial Statements 18
Combining and Individual Fund Statements 49



WALTER J. KUCHARSKI
AUDITOR

Commonwealth of Virginia

AUDITOR OF PUBLIC ACCOUNTS

P O Box 1295
RICHMOND 23210

November 20, 1986

The Honorable Gerald L. Baliles
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Hunter B. Andrews
Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

Gentlemen:

We have examined the general purpose financial statements of the COMMONWEALTH OF VIRGINIA as of and for the year ended June 30, 1986, as listed in the table of contents. Our examination was conducted in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain component units of the Commonwealth which comprise 97.8 percent and 55 percent, respectively, of the assets and revenues of the Enterprise Funds. Those financial statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Enterprise Funds—Public Benefit Corporations discussed in Notes 3 and 11, is based solely upon the reports of other auditors.

In our opinion, based on our examination and the reports of other auditors, the general purpose financial statements referred to above present fairly the financial position of the COMMONWEALTH OF VIRGINIA at June 30, 1986, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles which, except for the changes discussed in Note 8 to the financial statements, with which we concur, have been applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Virginia. This information, and not the information in the Introductory and Statistical Sections, has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the fund types and account groups included in the general purpose financial statements taken as a whole. We express no opinion on the information in the Introductory or Statistical Sections.

Sincerely,

Walter J. Kucharski

AUDITOR OF PUBLIC ACCOUNTS

Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1986

(Dollars in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and Cash Equivalents:				
State	$341,719	$266,086	$32,848	$38,452
Public Benefit Corporations				
Cash and Investments with Trustees				
Petty Cash and Travel Advances	3,703	1,305		
Taxes, Loans, Accounts, and Other Receivables (Net) (Notes 1 and 2):				
State	249,643	106,493		
Public Benefit Corporations				
Due from Other Funds (Note 4)	10,681	38,088		
Loans Receivable From Proprietary Funds (Note 1)	11,500			
Investments (Notes 1 and 2):				
State				
Public Benefit Corporations				
Inventory (Note 1)				
Prepaid Expenses				
Other Assets			423	
Property, Plant, and Equipment (Notes 1 and 2)				
Systems Development Costs (Net) (Note 1)				
Amount Available for Retirement of Long-Term Debt				
Amount to be Provided by the Commonwealth for Retirement of Long-Term Debt				
Amount to be Provided by Other Sources for Retirement of Long-Term Debt				
Unamortized Bond Issuance Expense				
Total Assets	$617,246	$411,972	$33,230	$38,452
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	$ 73,433	$178,244	$	$ 3,473
Tax Refunds Payable (Note 2)	36,005			
Amounts Due to Localities	73,507			
Accrued Interest Payable:				
State				
Public Benefit Corporations				
Deposits Pending Distribution	508	1,327		
Notes Payable (Note 3)				
Other Liabilities				
Due to Other Funds (Note 4)	20,246	24,192		
Loans Payable to the General Fund (Note 1)				
Deferred Revenue (Note 1)	346	6,836		
General Obligation Bonds Payable (Note 5)				
Transportation Bonds Payable (Note 5)				
Higher Education Bonds Payable (Note 5)				
Matured Interest Payable			8,806	
Matured Debt Payable			4,052	
Deferred Credit (Notes 1 and 2)	257,363			
Norfolk Virginia Beach Toll Road Revenue Bonds (Note 5)				
Long-Term Debt of Virginia Port Authority, Virginia Public School Authority, and Virginia Public Building Authority (Note 5)				
Bonds Payable—Public Benefit Corporations (Note 5)				
Due to Program Participants, Escrows, and Providers				
Capital Lease Obligations (Note 5)				
Accrued Liability for Compensated Absences (Note 1)	253	158		
Total Liabilities	461,661	210,757	12,858	3,473
Fund Equity:				
Investment in Plant				
Investment in General Fixed Assets				
Contributed Capital (Note 7)				
Retained Earnings:				
State				
Public Benefit Corporations				
Fund Balances:				
Reserved/Restricted (Notes 1 and 2)	11,500			
Unreserved:				
Designated (Note 1)	116,658		20,362	34,979
Undesignated/Unrestricted (Note 1)	27,427	201,215		
Fund Balance—Budgetary Basis—General and Special Revenue Funds	359,740	268,572		
Adjustments from Budget to GAAP (Note 1)	(204,155)	(67,357)		
Total Fund Equity	155,585	201,215	20,362	34,979
Total Liabilities and Fund Equity	$617,246	$411,972	$33,230	$38,452

The accompanying notes are an integral part of this financial statement.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Higher Education	June 30, 1986	June 30, 1985
$ 1,985	$ 5,030	$ 601,164	$	$	$ 451,052	$ 1,738,336	$ 1,722,934
86,270						86,270	56,938
		494,700				494,700	376,474
106	30	13				5,157	4,987
1,737	11,950	412,492			164,755	947,070	892,576
2,197,388						2,197,388	1,936,228
130					46,487	95,386	89,479
						11,500	12,938
		5,433,057			426,560	5,859,617	4,763,284
1,149,605						1,149,605	829,948
33,152	11,178	414			18,955	63,699	63,167
1,261	193				4,739	6,193	4,258
		9			42,580	42,961	41,892
22,475	41,671	862	1,184,249		2,241,686	3,490,943	2,862,562
350						350	268
				20,362		20,362	17,852
				269,481		269,481	264,280
				385,537		385,537	339,492
2,845						2,845	2,313
$3,497,304	$70,052	$6,942,711	$1,184,249	$675,380	$3,396,814	$16,867,400	$14,281,060
$ 25,950	$ 5,262	$ 108,543	$	$	$ 77,726	$ 472,631	$ 466,091
		1				36,005	33,460
		143,218				216,725	133,394
						—	47
63,904						63,904	52,972
		8,657			32,447	42,939	35,022
59,116	17,910				18,993	96,019	26,791
5,032	1,116	12,444			9,320	27,912	18,725
16,395	4,150				30,403	95,386	89,479
7,000	4,500					11,500	12,938
9,336	80	1,802			28,416	46,816	86,780
				78,900		78,900	85,475
				57,000		57,000	57,000
					496,699	496,699	506,380
						8,806	12,433
						4,052	4,842
						257,363	227,490
				18,815		18,815	19,955
				386,758		386,758	335,077
2,893,081						2,893,081	2,402,926
47,877		133,101				180,978	160,295
768	767			9,404	1,948	12,887	16,837
5,686	1,872	284		124,503	53,627	186,383	153,258
3,134,145	35,657	408,049		675,380	749,579	5,691,559	4,938,357
					1,857,208	1,857,208	1,683,990
			1,184,249			1,184,249	760,726
3,754	5,696					9,450	6,836
5,438	28,699					34,137	34,137
353,967						353,967	310,431
		5,396,743			208,682	5,616,924	4,563,879
		1,137,920				1,509,919	1,269,870
					581,335	881,489	926,718
						(271,502)	(215,094)
363,159	34,395	6,534,663	1,184,249		2,647,235	11,175,841	9,437,803
$3,497,304	$70,052	$6,942,711	$1,184,249	$675,380	$3,396,814	$16,867,400	$14,281,060

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds

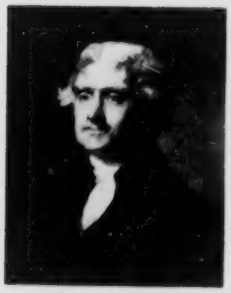
For the Fiscal Year Ended June 30, 1986

(Dollars in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
						Year Ended	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	June 30, 1986	June 30, 1985
Revenues:							
Taxes	$ 3,936,898	$ 560,746	$	$	$ 213,450	**$ 4,711,094**	$ 4,460,970
Rights and Privileges	25,592	278,435			31,323	**335,350**	306,189
Sales of Property and Commodities	487	4,594			9,600	**14,581**	13,663
Assessments and Receipts for Support of Special Services	491	22,389			386	**23,266**	17,389
Institutional Revenue	3,172	171,396			892	**175,460**	162,502
Interest, Dividends, and Rents	92,685	3,682	14,125	4,521	80,109	**195,122**	194,412
Fines, Forfeitures, Court Fees, Penalties, and Escheats	33,473	5,401			23,207	**62,081**	52,279
Federal Grants and Contracts		1,470,182			53,239	**1,523,421**	1,263,486
Receipts from Cities, Counties, and Towns	979	78,206				**79,185**	74,774
Private Donations, Gifts, and Contracts		1,110			37	**1,147**	1,063
Contributions					115,796	**115,796**	74,300
Receipts from Trustees							5,375
Other	13,165	41,168			7,969	**52,302**	54,474
Total Revenues	4,106,842	2,627,309	14,125	4,521	536,008	**7,288,805**	6,679,875
Expenditures:							
Current							
General Government	243,572	13,446			63,194	**320,212**	283,374
Education	1,654,467	155,389			3,213	**1,813,069**	1,654,604
Transportation	11,654	1,300,273			32,232	**1,344,159**	1,062,583
Resources and Economic Development	117,493	104,071			2,351	**223,915**	200,930
Individual and Family Services	802,060	1,152,788			145,739	**2,100,587**	1,935,854
Administration of Justice	617,124	8,652				**625,776**	547,901
Enterprises	5,364	996				**6,360**	5,944
Capital Projects				60,839		**60,839**	77,673
Debt Service							
Principal Retirement			27,940			**27,940**	27,770
Interest and Charges			33,036			**33,036**	35,567
Total Expenditures	3,451,734	2,735,615	60,976	60,839	346,729	**6,555,893**	5,832,200
Revenues Over (Under) Expenditures	655,108	(108,306)	(46,851)	(56,318)	189,279	**732,912**	847,675
Other Financing Sources (Uses):							
Transfers							
Operating (Net)	(744,091)	(13,770)	49,361	30,972	(63,335)	**(730,863)**	(641,871)
ABC Profit	29,738					**29,738**	25,831
Appropriations Act	18,081	(9,393)			(144)	**8,544**	8,344
Debt Defeasance (Note 5)						**—**	(30,202)
Proceeds from Sale of Bonds					41,820	**41,820**	421
Proceeds from Capital Leases	1,534	1,276				**2,810**	9,830
Total Other Financing Sources (Uses)	(694,738)	(21,887)	49,361	30,972	(21,659)	**(647,951)**	(627,647)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(39,630)	(130,193)	2,510	(15,346)	267,620	**84,961**	220,028
Fund Balance, July 1, as adjusted (Note 8)	195,215	331,408	17,852	50,325	1,124,082	**1,718,882**	1,499,815
Fund Balance, June 30	$ 155,585	$ 201,215	$ 20,362	$ 34,979	$ 1,391,702	**$ 1,803,843**	$ 1,719,843

The accompanying notes are an integral part of this financial statement.

Monticello



More than any other monument to Thomas Jefferson, Monticello, his mountaintop home near Charlottesville, best embodies the creative genius and ideals of the third president and author of the Declaration of Independence. Born in 1743 at nearby Shadwell, his father's Albemarle County estate, Jefferson began building Monticello soon after Shadwell was destroyed by fire in 1770. A self-trained architect of considerable skill, Jefferson based the designs of his "first" Monticello on the Neoclassical architectural principles of the sixteenth century Italian architect, Andrea Palladio. Surviving drawings of this building show a one-and-one-half-story brick dwelling featuring classical details, octagonal side and rear bays and a two-tiered pedimented east portico.

Following Jefferson's return from Europe as minister to France in 1789, he remodeled the house, removing the second-story level of the portico, and eventually adding the famous octagonal-based dome. While in Europe, Jefferson traveled extensively to study contemporary and ancient buildings and gardens. He returned to America seeking to impress upon his countrymen a new national building style based on the principles of classical architecture. Among the classically inspired buildings that he conceived are the State Capitol Building in Richmond, his own private dwellings, Monticello and Poplar Forest, and the academic buildings at the University of Virginia.

Designing and planning changes in every house in which he lived, Jefferson continually made alterations to Monticello, eventually completing the mansion to his satisfaction as late as 1809, when he retired from the presidency. Jefferson died there on July 4, 1826, the fiftieth anniversary of the signing of the Declaration of Independence.

He was buried in the nearby family graveyard which he had laid out on the mountainside even before construction of Monticello had begun. Following his death, Monticello suffered a long period of decline until the Thomas Jefferson Memorial Foundation purchased the house and surrounding acres in 1923. Since then, the house and gardens have been meticulously restored according to Jefferson's designs.

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—Budgetary Basis General and Special Revenue Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$3,952,300	$3,962,592	$10,292
Rights and Privileges	21,100	25,354	4,254
Sales of Property and Commodities	400	387	(13)
Assessments and Receipts for Support of Special Services	500	592	92
Institutional Revenue	2,700	2,624	(76)
Interest, Dividends, and Rents	94,500	93,110	(1,390)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	33,400	33,871	471
Federal Grants and Contracts	—	—	—
Receipts from Cities, Counties, and Towns	700	988	288
Private Donations, Gifts, and Contracts	—	—	—
Other	18,300	12,260	(6,040)
Total Revenues	4,123,900	4,131,778	7,878
Expenditures:			
General Government	259,603	242,186	17,417
Education	1,662,842	1,651,039	11,803
Transportation	12,193	12,165	28
Resources and Economic Development	123,751	116,419	7,332
Individual and Family Services	800,637	799,397	1,240
Administration of Justice	617,205	611,769	5,436
Enterprises	5,813	5,395	418
Total Expenditures (Note 1)	3,482,044	3,438,370	43,674
Revenues Over (Under) Expenditures	641,856	693,408	51,552
Other Financing Sources (Uses):			
Transfers:			
Operating (Net):			
Higher Education Fund (Educational and General)	(628,243)	(628,243)	—
Other	(24,513)	(18,876)	5,637
Capital Outlay	(203,979)	(78,119)	125,860
ABC Profit	27,100	29,598	2,498
Appropriations Act	19,600	18,081	(1,519)
Total Other Financing Sources (Uses)	(810,035)	(677,559)	132,476
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(168,179)	15,849	184,028
Fund Balance, July 1	343,881	343,881	—
Fund Balance, June 30	$ 175,702	$ 359,730	$184,028

The accompanying notes are an integral part of this financial statement.

Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 559,932	$ 560,860	$ 928	$4,512,232	$4,523,452	$ 11,220
258,748	278,554	19,806	279,848	303,908	24,060
3,786	4,733	947	4,186	5,120	934
16,373	22,350	5,977	16,873	22,942	6,069
128,618	177,806	49,188	131,318	180,430	49,112
2,398	2,108	(290)	96,898	95,218	(1,680)
4,909	5,403	494	38,309	39,274	965
1,617,137	1,424,785	(192,352)	1,617,137	1,424,785	(192,352)
54,993	78,047	23,054	55,693	79,035	23,342
784	1,097	313	784	1,097	313
86,958	43,055	(43,903)	105,258	55,315	(49,943)
2,734,636	2,598,798	(135,838)	6,858,536	6,730,576	(127,960)
45,115	13,328	31,787	304,718	255,514	49,204
191,886	158,549	33,337	1,854,728	1,809,588	45,140
1,494,414	1,288,799	205,615	1,506,607	1,300,964	205,643
144,017	104,181	39,836	267,768	220,600	47,168
1,187,617	1,110,673	76,944	1,988,254	1,910,070	78,184
15,418	8,853	6,565	632,623	620,622	12,001
1,159	953	206	6,972	6,348	624
3,079,626	2,685,336	394,290	6,561,670	6,123,706	437,964
(344,990)	(86,538)	258,452	296,866	606,870	310,004
—	—	—	(628,243)	(628,243)	—
—	10,120	10,120	(24,513)	(8,756)	15,757
(26,683)	(26,683)	—	(230,662)	(104,802)	125,860
—	—	—	27,100	29,598	2,498
(9,393)	(9,393)	—	10,207	8,688	(1,519)
(36,076)	(25,956)	10,120	(846,111)	(703,515)	142,596
(381,066)	(112,494)	268,572	(549,245)	(96,645)	452,600
381,066	381,066	—	724,947	724,947	
$ —	$ 268,572	$ 268,572	$ 175,702	$ 628,302	$ 452,600

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances All Proprietary Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)	
					Year Ended	
	Enterprise	Internal Service	Pension Trust	Non-expendable Trust	June 30, 1986	June 30, 1985
Operating Revenues:						
Interest, Dividends, and Rents:						
Enterprise—Public Benefit Corporations	$ 314,891	$	$	$	$ 314,891	$ 273,380
Special Allowance Income	7,837				7,837	11,471
Charges for Sales and Services	311,048	121,723		4,853	437,624	413,889
Contributions			628,498		628,498	576,402
Other	505		340	8,503	9,348	9,127
Total Operating Revenues	634,281	121,723	628,838	13,356	1,398,198	1,284,269
Operating Expenses:						
Interest Expense—Enterprise Public Benefit Corporations	242,587				242,587	303,863
Cost of Sales and Services	212,912	64,636		4,189	281,727	264,669
Retirement Benefits			251,442		251,442	221,176
Refunds to Former Members			35,163		35,163	34,345
Personal Services	53,610	17,514	3,265		74,388	69,739
Contractual Services	7,667	8,452	10,053		26,172	20,677
Supplies and Materials	5,719	3,413	84		7,216	7,648
Grants and Distributions to Localities	61	21			82	101
Expendable Equipment	408	935	6		1,349	1,139
Depreciation	2,857	12,491	127	1	15,478	12,587
Amortization	93				93	66
Rent, Insurance, and Other Related Charges	23,435	4,435	290		28,160	29,150
Other	6,775	5,826	60	8,681	21,342	14,648
Total Operating Expenses	554,032	117,512	300,790	12,875	985,199	879,807
Operating Income (Loss):						
State	36,733	4,211	328,048	481	369,473	347,430
Public Benefit Corporations	43,526				43,526	57,032
Total Operating Income (Loss)	80,259	4,211	328,048	481	412,999	404,462
Nonoperating Revenues (Expenses):						
Net Gain (Loss) on Sale of Investments			324,300	74	324,374	136,564
Interest, Dividends, and Rents	689	1,699	311,000	405	308,793	262,069
Discounts		133			133	97
Gain (Loss) on Sale of Fixed Assets	(10)	194			(204)	(258)
Grants and Shared Revenue	168				168	249
Other	194	79		329	(56)	221
Total Nonoperating Revenues (Expenses)	337	1,681	635,300	154	633,208	398,942
Transfers:						
Operating (Net)	736	865	2,064		1,927	1,958
ABC Profit	(29,738)				(29,738)	(23,863)
Appropriations Act	(6,696)	(1,760)	(35)		(8,491)	(8,914)
Total Transfers	(35,698)	(2,625)	2,029		(36,302)	(32,787)
Income (Loss) from Operations	44,224	(93)	965,447	635	1,009,905	770,617
Cumulative Effect—Leases						(359)
Income (Loss) Before Extraordinary Items	44,224	(93)	965,447	635	1,009,905	770,258
Loss on Condemnation of Real Estate						(164)
Net Income (Loss):						
State	698	(93)	965,447	635	966,379	713,208
Public Benefit Corporations	43,526				43,526	57,086
Total Net Income (Loss)	44,224	(93)	965,447	635	1,009,905	770,294
Retained Earnings/Fund Balances, July 1, as adjusted (Note 8):						
State	4,740	28,792	4,173,589	3,997	4,210,718	3,498,436
Public Benefit Corporations	310,441				310,441	253,455
Total Retained Earnings/Fund Balances, July 1	315,181	28,792	4,173,589	3,997	4,521,159	3,751,891
Retained Earnings/Fund Balances, June 30:						
State	5,438	28,699	5,139,036	4,632	5,177,097	4,211,644
Public Benefit Corporations	353,967				353,967	310,441
Total Retained Earnings/Fund Balances, June 30	$ 359,405	$ 28,699	$ 5,139,036	$ 4,632	$5,531,064	$4,522,085

The accompanying notes are an integral part of this financial statement.

Combined Statement of Changes in Financial Position
All Proprietary Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	Pension Trust	Nonexpendable Trust	Year Ended June 30, 1986	June 30, 1985
Sources of Working Capital:						
Operations:						
Income (Loss) Before Extraordinary Item:						
State	$ 698	$ (93)	$ 965,447	$ 327	$ 966,379	$ 713,372
Public Benefit Corporations	43,526				43,526	57,086
Total Income (Loss) Before Extraordinary Item	44,224	(93)	965,447	327	1,009,905	770,458
Items Not Requiring Working Capital:						
Depreciation	2,857	12,491	127	3	15,478	12,587
Amortization	93		(1,455)		(1,362)	(7,466)
Loss (Gain) on Sale of Fixed Assets	10	194			204	281
Compensated Absences	581	236	37		854	996
Working Capital Provided by Income Before Extraordinary Item	47,765	12,828	964,156	330	1,025,079	776,256
Loss from Extraordinary Item	—	—	—	—	—	(164)
Items Not Requiring Working Capital:						
Loss on Condemnation of Real Estate	—	—	—	—	—	164
Total Working Capital Provided by Operations	47,765	12,828	964,156	330	1,025,079	776,256
Sale of Fixed Assets	31	254			285	6,774
Increase in Capital Appropriated	798	1,816			2,614	49
Increase in Long Term Debt Payable:						
State	70	14,119			14,189	13,344
Public Benefit Corporations	547,782				547,782	375,267
Decrease in Bond Issuance Expense	73				73	
Increase in Retained Earnings Due to Prior Period Adjustment	126		69		195	3
Total Sources of Working Capital	596,645	29,017	964,225	330	1,590,217	1,171,593
Uses of Working Capital:						
Acquisition of Property, Plant, and Equipment	6,115	19,587	301	3	25,906	25,750
Increase in Bond Issuance Expense	781				781	433
Increase in Systems Development Costs						137
Increase in Long Term Investments	9,454		611,824	22	621,300	608,258
Reduction in Long Term Debt Payable	1,880	8,557			10,557	80,501
Decrease in Capital Appropriated					—	31
Reduction in Retained Earnings Due to Prior Period Adjustment	717	315			1,032	
Reduction in Capital Leases		375			375	
Total Uses of Working Capital	18,067	29,834	612,125	25	659,951	664,630
Net Increase (Decrease) in Working Capital	$ 578,578	$ (817)	$ 352,100	$ 305	$ 930,266	$ 506,963
Elements of Net Increase (Decrease) in Working Capital:						
Cash and Cash Equivalents	$ 27,575	$ 996	$ (1,388)	$ 199	$ 27,382	$ (23,067)
Receivables:						
State	(36)	1,515	10,468	53	12,000	12,439
Public Benefit Corporations	261,157				261,157	310,657
Securities:						
State			348,174	1	348,174	93,565
Public Benefit Corporations	110,203				110,201	130,136
Inventories	(1,889)	156		11	(812)	1,961
Prepaid Expenses	141	(297)			(156)	431
Payables, Deposits, and Other Liabilities	(4,570)	(1,434)	(4,669)	71	(10,562)	(24,487)
Deferred Revenue	(1,501)	37			(1,464)	193
Due to Program Participants	(5,345)				(5,345)	739
Escrows	(8,077)				(8,077)	(7,073)
Retirement Benefits Payable			(2,070)		(2,070)	(1,694)
Retirement Refunds Payable			(294)		(294)	(1,058)
Due from Other Funds	130				130	
Net Increase (Decrease) in Working Capital	$ 578,578	$ (817)	$ 352,100	$ 305	$ 930,266	$ 506,963

The accompanying notes are an integral part of this financial statement.

Combined Statement of Changes in Fund Balances
Higher Education Fund

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and Other Additions:				
Unrestricted Current Funds Revenues	$ 952,462	$	$	$
State Appropriations		19,645		
Federal Appropriations–Unrestricted		11,396		
Federal Grants and Contracts–Restricted		184,704	1,035	14
State Grants and Contracts–Restricted		14,078		
Local Grants and Contracts–Restricted		10,530		
Private Gifts, Grants, and Contracts–Restricted		47,685	37	3,993
Investment Income		3,680	277	481
Endowment Income		10,641	69	11
Interest on Loans Receivable			1,760	
U.S. Government Advances		1,145	811	
Expended for Plant Facilities (including $72,952 charged to current funds)				
Retirement of Indebtedness (including $4,011 charged to current funds)				
Realized Gain on Investments		18	10	45,898
Unrealized Gain on Investments				34,841
Other Sources		3,866	1,167	377
Total Revenues and Other Additions	952,462	307,388	5,166	85,615
Expenditures and Other Deductions:				
Educational and General Expenditures	1,029,246	262,301		
Auxiliary Enterprise Expenditures	197,743	342		
Hospital Expenditures	351,333	198		
Independent Operations Expenditures		108		
Indirect Costs Recovered		30,099		
Refunded to Grantors		177	38	20
Loan Cancellations			440	
Administrative and Collection Costs			770	
Expended for Plant Facilities (including non capitalized expenditures of $9,384)				
Retirement of Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Write Down of Plant Assets				
Other		234		418
Total Expenditures and Other Deductions	1,578,322	293,549	1,248	438
Transfers Among Funds:				
Mandatory				
Appropriations Act	(53)			
Debt Service and Other (includes Educational and General)	673,225	183	128	6
Nonmandatory				
Debt Service and Other	(2,438)	(159)		
(To) From Other Funds	(21,596)	(8,456)	618	7,889
Total Transfers	649,138	(8,432)	746	7,895
Net Increase (Decrease) for the Year	23,278	5,407	4,664	93,072
Fund Balance, July 1, as adjusted (Note 8)	84,726	66,481	54,527	303,972
Fund Balance, June 30	$ 108,004	$ 71,888	$ 59,191	$ 397,044

The accompanying notes are an integral part of this financial statement.

Plant Funds				Total
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Year Ended June 30, 1986
$ —	$ —	$ —	$ —	$ 952,462
36,347	1,126	—	—	57,118
—	—	—	—	11,396
98	1	—	—	185,852
43	—	—	—	14,121
1,004	46	—	—	11,580
5,972	—	605	11,506	69,798
2,871	66	6,042	—	13,417
125	—	—	—	10,846
—	—	—	—	1,760
—	—	—	—	1,956
—	—	—	135,426	135,326
—	—	—	38,992	38,992
—	—	—	—	45,926
—	—	—	—	34,841
7,881	27	16,919	841	31,078
54,341	1,266	23,566	186,665	1,616,469
—	—	—	—	1,291,447
—	—	—	—	198,285
—	—	—	—	351,531
—	—	—	—	108
—	—	—	—	30,099
—	—	—	—	235
—	—	—	—	440
—	—	—	—	770
65,674	6,084	—	—	71,758
—	—	—	11,280	11,280
—	—	34,981	—	34,981
—	—	32,258	—	32,258
—	—	—	1,786	1,786
3,629	100	2,165	6	6,542
69,303	6,184	69,404	13,072	2,031,520
—	—	—	—	(53)
18,476	142	38,396	(1,620)	728,936
1,903	—	694	—	—
20,994	253	53	245	—
41,373	395	39,143	(1,375)	728,883
26,411	(4,523)	(6,695)	172,218	313,832
40,743	8,950	89,014	1,684,990	2,333,403
$ 67,154	$ 4,427	$ 82,319	$ 1,857,208	$ 2,647,235

University of Virginia

The greatest achievement of Thomas Jefferson's architectural career was the University of Virginia. He not only designed the buildings and supervised their construction but also secured proper construction materials, competent workmen and financial support for his "academical village." Probably inspired by the spatial scheme of a French chateau he had once visited in Paris and aided by suggestions from noted architects of the period, Jefferson conceived a complex of spaces and buildings that was unique in the nation. The scheme features a central rectangular expanse of open space flanked on each side by parallel rows of student dormitories with regularly spaced two-story buildings, called pavilions in the interior rows and hotels in the exterior rows. While most of the pavilions, which were used for classrooms and professors' accommodations, are fronted by classical pedimented porticos of varying designs, the rows of dormitories and hotels, the latter being dining rooms, are placed behind Tuscan colonnades or brick arcades. The entire complex is dominated by the Rotunda at the north end of the space whose design is a half-scaled adoption of the ancient Pantheon in Rome.

Construction of the University began in 1817, however, with the Rotunda not yet completed, the first classes were held in 1825. "This institution of my native state," Jefferson once wrote with pride, "the hobby of my old age, will be based on the illimitable freedom of the human mind to explore and expose every subject susceptible of its contemplation." No other American educational institution rivals the University of Virginia for its clarity and elegance of design. Among the numerous accomplishments of his life, Jefferson wished to be remembered for only three, one of which was "Father of the University of Virginia."

Notes to the Financial Statements

Notes to the Financial Statements

June 30, 1986

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and the Financial Accounting Standards Board (FASB), and in accordance with the National Association of College and University Business Officers' (NACUBO), *College and University Business Administration* (1982) and the American Institute of Certified Public Accountants' (AICPA) *Audits of Colleges and Universities* (1975) for institutions of higher education.

For financial reporting purposes, the Commonwealth of Virginia includes all funds and account groups, and all agencies, boards, commissions, and authorities over which the Commonwealth exercises oversight authority, and whose financial transactions are recorded in the State accounting system or included through year-end adjustments.

B. Fund Structure

The accompanying financial statements are presented in four classifications of funds and two account groups. The fund classifications include governmental funds, proprietary funds, fiduciary funds, and the Higher Education Fund. Account groups are presented for general fixed assets and general long-term debt. The fund classifications and a description of each existing fund type and account group follow:

(1.) Governmental Funds

Transactions related to the acquisition, use, and balances of the government's expendable financial resources received and used for those services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in governmental funds. The governmental fund measurement focus is upon determination of financial position (sources, uses, and balances of financial resources), rather than on net income determination. Governmental funds include:

a. **General Fund** – Reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund. These services include general government, legislative, public safety, judicial, health and mental health, human resources, licensing and regulation, and primary and secondary education.

b. **Special Revenue Funds** – Reflect transactions related to resources received and used for restricted or specific purposes. The Special Revenue Funds include transactions related to resources used in support of public health services, welfare costs, agriculture, state park services, and highway maintenance and construction. Special Revenue Funds are combined based on source of funding into the Highway Maintenance and Construction Fund, Federal Fund, and Other Special Revenue Funds.

c. **Debt Service Fund** – Reflects transactions related to resources retained and used for the payment of interest and principal on those long-term obligations recorded in the General Long-Term Debt Account Group.

d. **Capital Projects Fund** – Reflects transactions related to resources received and used for the acquisition, construction, or improvement of governmental fund capital facilities.

(2.) Proprietary Funds

Transactions related to commercial activities operated by the Commonwealth are accounted for in the proprietary funds. Proprietary funds include Enterprise Funds and Internal Service Funds. The Enterprise Funds are separated into State and Public Benefit Corporations. Proprietary funds differ from governmental funds in that the focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The activities comprising the proprietary funds include:

a. **Enterprise Funds**

1. **Enterprise Funds–State** – Reflect transactions related to resources received and used for financing self-supporting activities of the Commonwealth that offer products and services on a user-charge basis to the general public. These funds reflect the activities of:

- The Department of Alcoholic Beverage Control (ABC), which operates facilities for the distribution and sale of distilled spirits and wine to the general public, and enforces the Commonwealth's alcoholic beverage statutes;
- The Virginia Industries for the Blind, a unit within the Virginia Department for the Visually Handicapped, which manufactures products for sale to federal, state, and local governments, certain private organizations, and the general public;
- The gift shop and food services activities of the Virginia Museum of Fine Arts; and,
- The Division of Legislative Services, which accounts for sales of the *Virginia Register*, a publication which lists all proposed and final state agency regulations.

2. **Enterprise Funds–Public Benefit Corporations**—Reflect transactions which are includable in the Commonwealth's financial reporting entity under the provision of the *Codification of Governmental Accounting and Financial Reporting Standards*, which is published by GASB and embodies NCGA Statement 3, "Defining the Governmental Reporting Entity." The Commonwealth has no responsibility for the debt of Public Benefit Corporations nor does the Commonwealth claim any right to the assets of these organizations. The activities comprising the Public Benefit Corporations include:

   - Virginia Housing Development Authority which is empowered by the *Code of Virginia* to finance housing intended for occupancy or ownership, or both, by families of low and moderate income;
   - Virginia Education Loan Authority which is empowered by the *Code of Virginia* to provide loans to eligible students at institutions of higher education and vocational schools;
   - Virginia International Terminals, Incorporated which operates several marine terminals for the Virginia Port Authority;
   - Virginia Resources Authority which encourages the investment of both public and private funds and makes loans and grants available to local governments to finance water and sewer projects; and,
   - State Education Assistance Authority which guarantees obligations of students and their parents at public or private institutions of higher education.

b. **Internal Service Funds**—Reflect transactions related to the financing and sale of goods or services provided by agencies of the Commonwealth to other agencies and institutions of the Commonwealth. The goods and services furnished are charged to the recipient agency or institution on a cost-reimbursement basis.

(3.) **Fiduciary Funds**

Transactions related to assets held in a trust or agency capacity by the Commonwealth are accounted for in fiduciary funds. The Commonwealth's fiduciary funds include Pension Trusts, Nonexpendable Trusts, Expendable Trusts, and Agency Funds as follows:

a. **Pension Trust Funds**—Reflect the transactions, assets, liabilities, and fund equities of Commonwealth-administered retirement systems (see Note 9).

b. **Nonexpendable Trust Funds**—Reflect the transactions, assets, liabilities, and fund equities of trusts whose principal must be maintained intact and whose income is used to fund the activity. These trusts are at the Department of Corrections to provide certain inmate services and at the Virginia Museum of Fine Arts to support expendable trusts at the Museum by transferring investment income to these trusts.

c. **Expendable Trust Funds**—Reflect the transactions, assets, liabilities, and fund equities of trusts whose principal and income may be used for the purposes of the trust. These trusts include those for educational programs at museums, funds for unemployment, realty loans for low and moderate income farmers, and low interest loans to local school divisions for school construction and renovation. The numerous expendable trust activities of the Commonwealth are either reported as Treasury Administered Trust Funds or Local Agency Administered Trust Funds.

d. **Agency Funds**—Reflect amounts held in trust by the Commonwealth for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits (including the deferred compensation plan), workmen's compensation and general insurance.

(4.) **Account Groups**

Account groups are used to establish accounting control and accountability for the Commonwealth's general fixed assets, and the unmatured principal of its general long-term debt and other long-term obligations of governmental funds. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term debt and other long-term obligations require current appropriation and expenditure of governmental fund financial resources.

a. **General Fixed Assets Account Group**—Accounts for general fixed assets that are not accounted for in the proprietary funds and similar trust funds or the Higher Education Fund. The Commonwealth has developed and implemented a Statewide automated fixed assets accounting system, which facilitates the reporting of the Commonwealth's general

fixed assets. Implementation of the system is substantially complete. The General Fixed Assets Account Group includes the majority of the land, buildings, and equipment owned by the Commonwealth.

b. **General Long-Term Debt Account Group**—Accounts for obligations that are not recorded as current liabilities in governmental funds. These obligations include those that are backed by the full faith and credit of the Commonwealth—unmatured and unredeemed long-term general obligation bonds payable, obligations for accrued employee sick and vacation leave, and capital lease obligations—as well as those obligations of the Virginia Public School Authority, Virginia Public Building Authority, Virginia Port Authority, and the Norfolk-Virginia Beach Toll Road which are not backed by the Commonwealth, but are included in the Commonwealth's reporting entity. Unmatured long-term debt relating to obligations of the proprietary funds and similar trust funds and the Higher Education Fund is accounted for within the respective funds.

(5) **Higher Education Fund**

The Higher Education Fund reflects transactions related to resources received and used for the operation of the Commonwealth's institutions of higher education and related medical teaching hospitals.

C. **Basis of Accounting for Funds**

Governmental Fund Types, Expendable Trust Funds, and Agency Funds—The accounts of the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust, and Agency Funds are presented on a modified accrual basis. Under the modified accrual basis of accounting, revenues and other financial resources are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. Material revenues susceptible to accrual include federal grants and income and sales taxes. Expenditures and other uses of financial resources are recognized when the related liability is incurred, except for items that are not planned to be liquidated with expendable available resources, such as the long-term portion of the liability for compensated absences and capital lease obligations.

Proprietary Fund Types, Pension and Nonexpendable Trust Funds and the Higher Education Fund—The accounts of these funds are presented on the accrual basis. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

D. **Budget**

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Accordingly, data presented for both budget and actual in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds is on a cash basis.

The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the State, and of estimated revenues and borrowings for a biennium to the General Assembly. Budgets are adopted for the General and Special Revenue Funds. Formal budgetary integration is not employed for the Capital Projects and Debt Service Funds because effective budgetary control is alternatively achieved through general fund appropriations. Budgeted expenditures of the General and Special Revenue Funds are made pursuant to appropriations in the annual budget, as approved by the General Assembly and signed into law by the Governor. The aggregate amount of the biennial budget is the legal level of budgetary control. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 1986, no increases in General Fund appropriations were approved. Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations. Budgetary amounts shown in the financial statements represent the total of the original budgeted amounts and all supplemental appropriations. Unexpended appropriations at the end of the fiscal year generally lapse.

The following schedule reconciles the original appropriated budget to the final adjusted budget for the General Fund and all Special Revenue Funds:

	General Fund	Special Revenue Funds
Original Appropriation (1)	$4,096,344,503	$2,582,771,285
Supplemental Appropriations		
Reappropriations (2)	2,609,092	—
Subsequent Executive (3)	98,306,933	522,846,955
Subsequent Legislative (4)	(63,724,753)	(18,111,177)
Transfers (5)	(651,492,048)	(7,881,028)
Appropriations, as adjusted	$3,482,043,727	$3,079,626,035

(1) Represents the original budget appropriated through Chapter 619, 1985 Acts of Assembly.

(2) Actions taken to reappropriate any unexpended balances per authority of the language in the Appropriations Act.

(3) Actions taken by the Governor to carry forward any prior year unexpended balances (General Fund) and actions taken to appropriate any additional revenues collected so that it can be legally spent (Special Revenue Funds).

(4) Actions taken by the General Assembly to adjust the original budget, through Chapter 221, 1986 Acts of Assembly.

(5) Represents transfers required by the Appropriations Act.

E. **Investments**

Investments are principally comprised of monies held by the State Treasurer for the Virginia Supplemental Retirement System (VSRS), and investments held by Public Benefit Corporations, and the endowment funds of Higher Education.

Investments of the VSRS, except for common stocks and real estate pool participations, are stated at cost or amortized cost and are reflected in the Pension Trust Funds. Common stocks are carried at the lower of cost or market. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Real estate pool participations are carried at values adjusted to recognize VSRS's share of net income or loss in the period in which they are reported by the pools.

Investments held by the Public Benefit Corporations consist of certificates of deposit, savings accounts, bankers acceptances, U.S. Government Securities, short-term advances to banks, securities guaranteed by the U.S. Government, bonds, common stock, and investments in the Local Government Investment Pool. Investments are carried at amortized cost rather than at the lower of cost or market, in that it is generally management's intention to hold them to maturity. Investments of the Virginia Resources Authority are carried at cost, which approximates market.

Temporary investments reflected in the Higher Education Fund are recorded at lower of cost or market value. Mortgages held for investment are recorded at book value, representing principal amounts due. Investments in real estate are recorded at book value. Gifts are recorded at fair market value at the date of acquisition.

All investments qualify as legal investments held by fiduciaries under the laws of the Commonwealth.

F. **Inventories**

Inventories of materials and supplies of governmental fund types are recorded as expenditures when purchased. At year end, no significant amounts of inventory were on hand related to governmental fund type activities. Inventories maintained by Public Benefit Corporations and Internal Service Funds are stated at the lower of cost or market value using first-in first-out methodology. The Department of Alcoholic Beverage Control and the Nonexpendable Trusts administered by the Department of Corrections maintain inventories at the lower of average cost or market. The Virginia Industries for the Blind maintains inventories at cost using first-in first-out methodology. The Virginia Museum of Fine Arts also maintains inventories at cost. Institutions of Higher Education use several methods for costing inventories, including cost, using first-in first-out methodology, and the lower of cost or market using first-in first-out or weighted average methodology.

G. **Receivables**

Receivables in the governmental funds consist primarily of the accrual of taxes and federal revenue and receivables of the State's mental health and mental retardation facilities. Receivables of the fiduciary funds are loans of the Virginia Public School Authority. Higher Education receivables are primarily receivables of the State's teaching hospitals. Receivables are recorded net of allowances for doubtful accounts.

H. **Loans Receivable From Proprietary Funds**

Long-term loans receivable in the General Fund (Loans Receivable From Proprietary Funds) represent working capital advances of $7,000,000 to the Enterprise Funds and $4,500,008 to the Internal Service Funds to finance inventories and to provide working capital. The liabilities associated with the working capital advances are reflected in the Enterprise Funds and Internal Service Funds as "Loans Payable to the General Fund."

During its 1984 Session, the General Assembly required that advances originally made of $5,375,000 to the Internal Service Funds be repaid in equal installments over a period ranging from ten to fifteen years. The first repayments were made on July 31, 1984. The $7,000,000 advance to the Enterprise Funds represents the unpaid balance at June 30, 1986, of a $10,200,000 loan to the Department of Alcoholic Beverage Control. Payments in the amount of $1,000,000 are to be made each year until repayment is complete. Advances to all proprietary funds are not available for expenditure by the General Fund and, accordingly, the fund balance of the General Fund has been reserved for these advances.

I. **Property, Plant, and Equipment**

Governmental general fixed assets in the General Fixed Assets Account Group are stated at historical cost or, in some instances, estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. The Commonwealth capitalizes all fixed assets which have a value or cost in excess of $500 at the date of acquisition and have an expected useful life of two or more years. Infrastructures, including highways, bridges, and rights-of-way, are not capitalized. No depreciation has been provided on general fixed assets. Fixed assets of the proprietary funds and similar trust funds, and the Higher Education Fund are accounted for within those funds.

The following schedule details the cost basis, method of depreciation, and estimated life related to all fixed assets; however, for financial reporting purposes, depreciation is not provided for fixed assets in the General Fixed Assets Account Group or the Higher Education Fund.

Valuation Methods for Fixed Assets

	Fixed Asset	Cost Basis	Depreciation Method	Estimated Life
Enterprise	Land	Historical Cost	Not Applicable	Not Applicable
	Buildings	Historical Cost	Straight-line	10–50 years
	Equipment	Historical Cost	Straight-line	3–20 years
	Improvements Other than Buildings	Historical Cost	Straight-line	12 years
Internal Service	Land	Historical Cost	Not Applicable	Not Applicable
	Buildings	Historical Cost	Straight-line	20–30 years
	Equipment	Historical Cost	Straight-line, except for unit of production for vehicles operated by Central Garage	2–10 years
	Construction in Progress	Historical Cost	Not Applicable	Not Applicable
Trust and Agency	Equipment	Historical Cost	Straight-line	3–20 years
General Fixed Assets	Land	Historical Cost	Not Applicable	Not Applicable
	Buildings	Historical Cost	Straight-line	2–50 years
	Equipment	Historical Cost	Straight-line	3–25 years
	Improvements Other than Buildings	Historical Cost	Straight-line	5–50 years
	Construction in Progress	Historical Cost	Not Applicable	Not Applicable
Higher Education	Land	Historical Cost	Not Applicable	Not Applicable
	Buildings	Historical Cost	Straight-line	5–60 years
	Equipment	Historical Cost	Straight-line	2–30 years
	Improvements Other than Buildings	Historical Cost	Straight-line	5–30 years
	Construction in Progress	Historical Cost	Not Applicable	Not Applicable
	Livestock	Historical Cost	Not Applicable	Not Applicable

J. **Systems Development Costs**

In accordance with SFAS Number 2, "Accounting for Research and Development Costs," the Virginia Education Loan Authority (VELA) capitalizes and amortizes over five years the research and development costs relating to the creation of its automated student loan servicing systems.

K. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the Commonwealth's accounting system. Because the *Code of Virginia* does not permit the continuance of spending authority beyond the balance sheet date, encumbered amounts are eliminated at the end of the year and, accordingly, are not included in the accompanying financial statements.

L. **Deferred Revenue**

Deferred revenue represents monies received but not yet earned as of June 30, 1986. The majority of this amount is reported in the Higher Education Fund, where it is primarily composed of student tuition fees received in advance of the semester; in the Enterprise Funds where it is the deferral of fees related to mortgage loans; and in the Special Revenue Funds, where it is composed primarily of federal grant money received but not spent.

M. **Long-Term Liabilities**

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund when paid. Long-term liabilities expected to be financed from the proprietary funds and the Higher Education Fund, as well as the related interest payments, are accounted for in those funds (see Note 5).

N. **Deferred Credit**

The deferred credit represents the deferral of income taxes withheld that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns in subsequent years. This amount is calculated annually using statistical data derived from income taxes filed in previous years.

O. **Reserved Fund Balance**

Reserved fund balance indicates that portion of fund balance which is not available to fund operations or is legally segregated for specific future use.

P. **Unreserved, Designated Fund Balances**

Designations of fund balance are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Commonwealth to designate the portion of fund balance set aside by the General Assembly through the Appropriations Act to fund tentative but approved future plans. For years ending in the middle of a biennium, unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the Commonwealth to limit such designations in the event that their accumulation and presentation would cause a negative unreserved and undesignated fund balance to occur.

Q. **Unreserved, Undesignated Fund Balance**

The unreserved, undesignated fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as designated fund balance described in Note 1.P above. The amount of the general fund unreserved, undesignated fund balance, on a budgetary basis, as of June 30, 1986, is $31.6 million. In considering the availability of the undesignated general fund balance for appropriation by the 1987 Session of the General Assembly, it should be noted that there was a sum-sufficient appropriation for disaster recovery (Item 35, Chapter 619, of the 1985 Acts of Assembly) for the fiscal year ended June 30, 1986. The Commonwealth has recognized a continuing obligation to disburse approximately $10 million to localities under a sum-sufficient appropriation (Item 37, Chapter 643, of the 1986 Acts of Assembly) to fund disaster recovery assistance for flood damage incurred in November, 1985. A portion of the unreserved, undesignated general fund balance as of June 30, 1986, may be required to fund all or a portion of the $10 million commitment.

R. **Adjustments from Budget to GAAP**

To meet information needs within the Commonwealth, fund balances of the General and Special Revenue Funds on the Combined Balance Sheet are initially presented on the budgetary basis of accounting and then adjusted to a modified accrual basis for the presentation of Total Fund Equity. Accordingly, amounts reported on the Combined Balance Sheet as Adjustments from Budget to GAAP represent the cumulative effect on budgetary basis fund balance of adjustments to comply with the requirements of generally accepted accounting principles (GAAP).

The principal adjustments to comply with GAAP are the accrual of income and sales tax revenues, amounts due from the Federal government under grants and contracts, accounts payable, and the deferral of income taxes withheld that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns.

Adjustments from Budget to GAAP are first applied to budgetary unreserved, undesignated fund balance, and the balance, if any, applied to unreserved, designated fund balance.

Fund balances of the General and Special Revenue Funds, when adjusted to a modified accrual basis, are as follows:

	General Fund	Special Revenue Funds
Fund Balances		
Reserved: Restricted	$ 11,500	$ –
Unreserved*		
Designated	144,085	
Undesignated: Unrestricted		201,215
Total Fund Equity	$155,585	$201,215

Fund equity of the Debt Service and Capital Projects Funds, the proprietary and fiduciary fund types, and the Higher Education Fund are presented in accordance with the basis of accounting for funds described in Note 1.C and, therefore, do not require adjustment.

S. **Accrued Vacation and Sick Leave Policy**

Each agency of the Commonwealth maintains records that reflect cumulative vacation and sick leave hours earned. Vacation and sick leave are accrued at the following rates:

Years of Service	Vacation Leave	Sick Leave
1 through 4	4 hours per semi-monthly period of service, to a maximum accumulation of 192 hours at the end of each calendar year	5 hours per semi-monthly period of service
5 through 9	5 hours per semi-monthly period of service, to a maximum accumulation of 240 hours at the end of each calendar year	5 hours per semi-monthly period of service
10 through 19	6 hours per semi-monthly period of service, to a maximum accumulation of 288 hours at the end of each calendar year	5 hours per semi-monthly period of service
20 and over	7 hours per semi-monthly period of service, to a maximum accumulation of 336 hours at the end of each calendar year	5 hours per semi-monthly period of service

Employees who leave State service after a minimum of five years employment are permitted to receive 25 percent of the value of their accumulated sick leave at their current earnings rate, to a maximum of $2,500. All employees leaving State service are paid for accrued vacation leave at their current earnings rate. In conformance with NCGA Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the dollar amounts related to hours earned are included in the accompanying financial statements. Accordingly, in the governmental fund types, amounts to be paid from expendable available resources are recognized as fund liabilities in the applicable governmental fund types. Amounts not payable from expendable available resources are reflected in the General Long-Term Debt Account Group. All amounts related to the proprietary funds and similar trust funds, and the Higher Education Fund are recognized in those funds. The liability at June 30, 1986, was computed using salary rates effective at June 30, 1986, and represents vacation, sick, and compensatory leave earned up to the allowable ceilings.

I. Total Columns on Combined Statements

The total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Information in these columns does not present consolidated financial position, results of operations, or changes in financial position. Interfund balances and transactions have not been eliminated.

Additionally, the 1985 totals presented in the "Memorandum Only" columns are included to provide a summarized comparison with comparable 1986 amounts and are not intended to present all information necessary for a fair presentation of financial position and results of operations in accordance with generally accepted accounting principles.

2. OTHER ACCOUNTING DISCLOSURES

A. Budget

The following schedule summarizes the budget for the biennium according to Chapter 619, 1985 Acts of Assembly, as revised by Chapter 221, 1986 Acts of Assembly. This budget analysis only reflects adjustments made to the original budget by the General Assembly through Chapter 221. It will, therefore, not agree with the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds which includes subsequent executive appropriations, reappropriations, and transfers.

Analysis of General Fund Budget
(Dollars in Millions)

	1984–86 Biennium	Biennium Breakdown FY 1985	FY 1986
Beginning Fund Balance:			
Operating	$ 43.0	$ 43.0	
Capital Outlay Reappropriations	56.8	56.8	
Total	99.8	99.8	$ 172.9
Estimated Revenues	7,966.2	3,795.9	4,170.3
Other Financing Sources	154.5	86.7	67.8
Total Available Funds	8,220.5	3,982.4	4,411.0
Appropriations (a)	(7,786.1)	(3,753.5)	(4,032.6)
Capital Outlay	(257.2)	(56.0)	(201.2)
Ending Fund Balance	$ 177.2	$ 172.9	$ 177.2

(a) Appropriations consist primarily of operating expenditures and transfers to the Higher Education Fund.

Since the presentation of financial data on a cash basis differs from that presented under generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 1986, to the fund balance on a modified accrual basis follows:

Fund Balance Comparison
Cash Basis to GAAP Basis
(Dollars in Thousands)

	General Fund	Special Revenue Funds			
		Highway Fund	Federal Fund	Other Special Revenue Funds	Total
Fund Balance, June 30, 1986 Cash Basis	$359,730	$178,646	$	$ 89,926	$268,572
Add (Deduct):					
1986 Accrued Revenues:					
Taxes	243,820				
Tax Refunds	(36,005)				
Other Revenue	11,582	14,446	33,562	41,688	99,696
Deferred Credit	(257,363)				
1986 Accrued Expenditures	(166,179)	(115,852)	(60,100)	(3,405)	(179,357)
Total Accruals	(204,145)	(101,406)	(16,538)	38,283	(79,661)
Fund Reclassifications—Budget to GAAP		2,307	16,538	(6,541)	12,304
Total Adjustments from Budget to GAAP	(204,145)	(99,099)		31,742	(67,357)
Fund Balance, June 30, 1986 GAAP Basis	$155,585	$ 79,547	$	$121,668	$201,215

Budget figures presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—

General and Special Revenue Funds reflect the original budget figures according to Chapter 619, 1985 Acts of Assembly, and all supplemental appropriations.

B. Investments

The following schedule details the investments reported in the various funds:

Schedule of Investments
June 30, 1986
(Dollars in Thousands)

	Trust and Agency	Higher Education	Enterprise-Public Benefit Corporations
Bonds	$ 1,790,753	$ 84,722	$ 23,098
Stocks	2,431,745	234,868	2,450
Short-Term Securities	757,704	73,044	1,124,057
Other Securities	179,025	7,340	—
Real Estate	273,830	26,586	—
Total Investments	$ 5,433,057	$ 426,560	$ 1,149,605

C. Receivables

The following schedule details the accounts, loans, taxes, and other receivables presented in the various funds:

Schedule of Receivables
June 30, 1986
(Dollars in Thousands)

	Accounts and Loans (Allowance for Doubtful Accounts)	Taxes (Allowance for Uncollected Accounts)	Other	Total
General Fund	$ 5,788	$ 243,820	$ 772	$ 250,380
	(737)	—	—	(737)
	5,051	243,820	772	249,643
Special Revenue Funds	143,929	—	—	143,929
	(37,436)	—	—	(37,436)
	106,493	—	—	106,493
Enterprise Funds—State	1,737	—	—	1,737
	—	—	—	—
	1,737	—	—	1,737
Enterprise Funds—Public Benefit Corporations	2,155,777	—	42,103	2,197,880
	(492)	—	—	(492)
	2,155,285	—	42,103	2,197,388
Internal Service Funds	11,921	—	55	11,976
	(26)	—	—	(26)
	11,895	—	55	11,950
Trust and Agency Funds	335,113	—	77,379	412,492
	—	—	—	—
	335,113	—	77,379	412,492
Higher Education Fund	169,045	—	58,960	228,005
	(59,772)	—	(3,478)	(63,250)
	109,273	—	55,482	164,755
Total Receivables Net	$ 2,724,847	$ 243,820	$ 175,791	$ 3,144,458

D. Property, Plant, and Equipment

The schedule that follows shows the breakdown of general fixed assets by category:

General Fixed Assets Account Group
June 30, 1986
(Dollars in Thousands)

Land	$ 166,703
Buildings	570,529
Equipment	332,422
Improvement Other than Buildings	112,530
Construction in Progress	2,065
Total General Fixed Assets	$1,184,249

The following schedule presents the changes in the General Fixed Assets Account Group by category:

Schedule of Changes in General Fixed Assets
(Dollars in Thousands)

	(Restated) Balance July 1, 1985	Implemented	Acquired	Deleted	Balance June 30, 1986
Land	$134,746	$ 31,948	$ 585	$ 576	$ 166,703
Buildings	462,453	83,788	25,107	819	570,529
Equipment	59,175	251,138	23,702	1,593	332,422
Improvements Other than Buildings	83,490	28,301	739	—	112,530
Construction in Progress	20,862	—	2,188	20,985	2,065
Total General Fixed Assets	$760,726	$395,175	$52,421	$23,973	$1,184,249

The "Implemented" column reflects the recognition of general fixed assets purchased prior to July 1, 1985, but not reported in the fixed assets accounting system until fiscal year 1986.

The following schedule details the amounts for fixed assets that are not recorded in the General Fixed Assets Account Group:

Summary of Fixed Assets in Proprietary Funds, Fiduciary Funds, and the Higher Education Fund
June 30, 1986
(Dollars in Thousands)

	Enterprise					
	State	Public Benefit Corporations	Total	Internal Service	Trust and Agency	Higher Education
Land	$ 1,884	$ 2,512	$ 4,396	$ 405	$ —	$ 89,103
Buildings	10,435	2,572	13,007	3,412	—	1,287,441
Less Accumulated Depreciation	(6,031)	(616)	(6,647)	(846)	—	—
Equipment	11,978	13,446	25,424	73,615	862	607,197
Less Accumulated Depreciation	(8,021)	(6,866)	(14,887)	(35,398)	—	—
Improvements Other than Buildings	1	—	1	64	—	90,170
Less Accumulated Depreciation	—	—	—	(9)	—	—
Construction in Progress	—	1,182	1,182	428	—	166,845
Livestock	—	—	—	—	—	930
Total Fixed Assets	$10,245	$ 12,230	$ 22,475	$41,671	$ 862	$2,241,686

E. **Tax Refunds Payable**

Tax refunds payable represent refunds due on tax returns filed for the calendar year ended December 31, 1985. The tax return deadline is May 1 of each year for the preceding calendar year.

F. **Deferred Credit**

The deferred credit represents the deferral of income taxes withheld that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns in subsequent years. At June 30, 1986, the estimated amount to be deferred is $257,362,829.

G. **Reserved Fund Balance**

Total reserved fund balances for the General Fund and Trust and Agency Funds were as follows:

Schedule of Reserved Fund Balance
June 30, 1986
(Dollars in Thousands)

	General Fund	Trust and Agency Funds
Reserved for Working Capital Advances	$ 11,500	$
Reserved for VPSA Loans Receivable		237,706
Reserved for Pension Benefits		2,139,036
Total Reserved Fund Balance	$ 11,500	$ 2,376,742

3. REPORTING ENTITY

In compliance with the *Codification of Governmental Accounting and Financial Reporting Standards*, which embodies NCGA Statement 3, "Defining the Governmental Reporting Entity," the Commonwealth has included in the general purpose financial statements several organizations (component units) that meet the oversight criteria established by Statement 3. These component units include:

- Virginia Housing Development Authority (VHDA)
- Virginia Education Loan Authority (VELA)
- Virginia International Terminals, Inc. (VIT)
- Virginia Resources Authority (VRA)
- State Education Assistance Authority (SEAA)
- Virginia Public Building Authority (VPBA)
- Virginia Public School Authority (VPSA)

The criteria for inclusion is determined on the basis of accountability for fiscal matters, designation of management, ability to significantly influence operations, selection of governing authority, scope of public service, and any special relationships. The inclusion of an organization in the general purpose financial statements in no way alters the defined prerogatives of the management of the organizations, the organization's charter, statutory authority, or legal characteristics or conditions. The Commonwealth has no responsibility for any debt of these organizations nor does the Commonwealth claim any right to the assets of these organizations.

The VELA, VHDA, VIT, and VRA have been audited by independent certified public accounting firms and the amounts reported are based solely on the audited financial statements provided by those organizations. The VPBA, VPSA, and SEAA have been audited by the Auditor of Public Accounts of the Commonwealth of Virginia. The VELA, VHDA, VIT, VRA, and SEAA are reported entirely within Enterprise Funds—Public Benefit Corporations. The activity of VPBA is reported in the Debt Service and Capital Projects Funds, and the related long-term debt is reported in the General Long-Term Debt Account Group, and the related fixed assets in the General Fixed Assets Account Group. The VPSA is reported primarily within the Expendable Trust Funds and Debt Service Fund with related long-term debt reported within the General Long-Term Debt Account Group.

Furthermore, in compliance with NCGA Statement 3, the Commonwealth discloses two types of organizations which have been excluded from the reporting entity.

A. Authorities created by the State, whose members of the respective Boards are appointed by the Governor where, in the judgment of the Comptroller, the activities of the authorities are not principally for the benefit of the Commonwealth and are not generally available to its citizens are:

(1.) The Virginia College Building Authority was created by the Virginia College Building Authority Act of 1966 (Chapter 32, Title 23, *Code of Virginia*) to assist in providing funds for the construction of projects of capital improvement at educational institutions within the Commonwealth. The Educational Facilities Authority Act of 1972 (Chapter 33, Title 23, *Code of Virginia*) gave the Authority power to provide financial assistance to private institutions in addition to State-supported institutions. The Authority provides financial assistance by marketing bonds to provide funds from which to purchase the capital obligations of the institutions. Only private institutions have requested and received financial support from the Authority. The Authority began issuing debt in 1975. The outstanding principal of the Authority's issued debt at June 30, 1986, was $78,213,000.

(2.) The Virginia Small Business Financing Authority was created by the Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) to assist small business of the Commonwealth in obtaining financing for new business or in the expansion of existing business. The Authority provides financial assistance to small business by providing loans, guarantees, insurance and other assistance, thereby encouraging the investment of private capital in small business in the Commonwealth. The Authority began issuing debt in December, 1984. The outstanding principal of this debt at June 30, 1986, was $75,000,000.

(3.) The Virginia Agricultural Development Authority was created by the Virginia Development Authority Act of 1981 (Chapter 5.1, Title 3.1, *Code of*

Virginia) to assist in providing credit for the purchase of farm equipment and real estate at interest rates lower than those available in the conventional farm credit markets. This objective is accomplished by (1) making loans to lenders for use by those lenders in making loans for agricultural enterprises and (2) purchasing existing loans from lending institutions. The Authority had one debt issuance in April, 1983. The outstanding principal of this debt at June 30, 1986, was $1,450,000.

B. Non-state agencies have also been excluded from the reporting entity. These activities fall into two categories: (1) public and private non-profit organizations and (2) industrial development authorities.

State funding provided to the public and private non-profit organizations is discretionary or subject to the eligibility rules governing funding support. The non-profit corporations are governed and controlled by their boards, members, or by-laws with no provision for Commonwealth control and, for several of these entities, assets remaining at dissolution are to be transferred to other non-profit organizations. The public non-profit organizations are local governments which receive funding under State programs.

Industrial development authorities have been excluded as they are specifically created and operated by actions of local governments, receive no Commonwealth support, and assets rest with the creating local governments upon dissolution.

4. DUE TO/FROM OTHER FUNDS

Interfund receivables of $95,386,000 which are contained in the following funds, are primarily composed of:

- General Fund—amounts due from quarterly ABC profits and taxes to be transferred from the Enterprise Funds, and advances made to the Department of Information Technology.
- Special Revenue Funds—temporary loans made from the Special Revenue Funds to provide resources to initiate programs funded in whole or part by the federal government or to fund approved construction projects in anticipation of permanent financing.
- Higher Education Fund—amounts due from the General Fund to the Higher Education plant funds which represent transfers to fund capital projects, and intra-fund advances from the endowment funds to finance construction.

Amounts due to/from other funds are as follows:

Schedule of Due To/From Other Funds
June 30, 1986
(Dollars in Thousands)

Fund Detail	Due From Other Funds	Due To Other Funds
General	$10,681	$70,246
Special Revenue:		
Other Special Revenue Funds	58,088	3,573
Federal Fund		20,619
	58,088	24,192
Enterprise:		
Department of Alcoholic Beverage Control	130	16,939
Internal Service:		
Department of Information Technology	—	4,130
Higher Education:		
Current Funds	9,716	13,100
Loan Funds	61	123
Endowment Funds	17,604	—
Plant Funds	19,105	17,173
Agency Funds	1	7
	46,487	80,403
Total	$95,386	$95,386

5. LONG-TERM INDEBTEDNESS

Commonwealth bonds, issued pursuant to Sections 9(b) and 9(c) of Article X of the Constitution of Virginia, are backed by the full faith, credit, and taxing power of the Commonwealth. Commonwealth of Virginia bonds are divided into two major groupings consisting of (1) general obligation bonds authorized by the citizens of Virginia through bond referenda to finance capital projects and retired through the use of State appropriations, and (2) bonds for financing capital projects which, when completed, will generate revenue to repay the debt. All of these bonds are callable after approximately ten years, from any available revenue, at the option of the Commonwealth of Virginia.

The following schedules detail the annual funding requirements necessary to amortize both 9(b) General Obligation and 9(c) Transportation Bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth. Principal and interest requirements for the current year totaled $10,414,800 for 9(b) General Obligation Bonds and $5,183,000 for 9(c) Transportation Bonds.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
As of June 30, 1986

Maturity	Principal	Interest	Total
1987	$ 6,575,000	$ 3,543,925	$ 10,118,925
1988	6,575,000	3,248,060	9,823,060
1989	6,575,000	2,952,175	9,527,175
1990	6,575,000	2,653,013	9,228,013
1991	6,575,000	2,360,562	8,935,562
1992–1996	36,025,000	7,786,444	43,811,444
Total	$68,900,000	$23,544,169	$110,444,169

TRANSPORTATION BONDS
Debt Service Requirements to Maturity
As of June 30, 1986

Maturity	Principal	Interest	Total
1987	$ 660,000	$ 4,543,230	$ 5,203,230
1988	740,000	4,078,500	4,818,500
1989	1,000,000	4,073,500	5,073,500
1990	1,000,000	3,853,500	4,853,500
1991	1,250,000	3,718,500	4,968,500
1992–2008	52,300,000	48,412,374	100,712,374
Total	$57,000,000	$73,189,604	$130,189,604

The following schedule details the annual funding requirements necessary to amortize the Higher Education 9(c) Revenue Bonds. These bonds are also backed by the full faith, credit, and taxing power of the Commonwealth. Principal and interest requirements for the current year totaled $20,368,344.

HIGHER EDUCATION BONDS
Debt Service Requirements to Maturity
As of June 30, 1986

Maturity	Principal	Interest	Total
1987	$ 9,575,000	$ 15,086,638	$ 24,661,638
1988	10,195,000	14,289,403	24,484,403
1989	10,820,000	13,650,052	24,470,052
1990	11,440,000	12,969,668	24,409,668
1991	12,190,000	12,242,775	24,432,775
1992–2014	163,692,000	84,654,512	248,346,512
Total	$217,912,000	$152,893,048	$370,805,048

A summary of changes in long term debt issued pursuant to Sections 9(b) General Obligation Bonds and 9(c) Transportation Bonds for the year ended June 30, 1986, follows:

Schedule of Changes in Section 9(b) and 9(c) Long-Term Debt

	Balance July 1, 1985	Issuances	Retirements	Balance June 30, 1986
Unmatured Debt Contained in General Long Term Debt Account Group:				
General Obligation Bonds	$ 85,475,000	$	$ 6,575,000	$ 78,900,000
Transportation Bonds	57,000,000			57,000,000
Unmatured Debt Contained in Higher Education Fund	184,217,000	41,130,000	7,435,000	217,912,000
Total Long Term Debt Payable	$326,692,000	$41,130,000	$14,010,000	$353,812,000

The Department of Information Technology has incurred long term debt with commercial institutions in connection with the purchase of equipment. At June 30, 1986, the outstanding balance on this debt was $17,909,789.

The preceding paragraphs detail information on the bonds and other obligations backed by the full faith, credit, and taxing power of the Commonwealth. The following paragraphs describe indebtedness that is not backed by the full faith and credit of the Commonwealth but is included in the financial statements.

Prior to 1970, the governing bodies of various State colleges and universities were empowered, with the approval of the Governor and the General Assembly, to issue debt backed solely by a pledge of the revenue from specific revenue producing capital projects, such as dormitories, student centers, and dining halls. This debt falls under the provisions of Section 9(d) of Article X of the Constitution of Virginia. At June 30, 1986, the outstanding balance on this debt was $17,461,000. In addition, other bond issues that fall under the provisions of Section 9(d) were issued after 1970. The bonds are for revenue producing capital projects at several State colleges and universities. Included in this debt is a fiscal year 1986 debt issuance made by the University of Virginia Hospital. At June 30, 1986, the total outstanding balance of the post-1970 debt was $231,686,905.

The Commonwealth has also included debt issued by State colleges and universities, which is backed and secured only by endowment funds and other funds derived from gifts and bequests. The bonds of this type were issued by the University of Virginia and Virginia Polytechnic Institute and State University. These bonds provided funds for various purposes including capital projects. At June 30, 1986, the total outstanding balance of this debt was $29,638,639. The following schedule details the annual funding requirements necessary to amortize these bonds:

HIGHER EDUCATION BONDS
Debt Service Requirements to Maturity
As of June 30, 1986

Maturity	Principal	Interest	Total
1987	$ 17,754,599	$ 19,559,412	$ 37,314,011
1988	11,772,445	18,718,991	30,491,436
1989	14,254,560	18,185,331	32,439,891
1990	11,497,144	17,465,545	28,962,689
1991	10,144,402	16,815,571	26,959,974
1992–2017	213,363,394	224,177,369	437,540,763
Total	$278,786,544	$314,922,219	$593,708,763

The Virginia Port Authority has issued bonds and notes pursuant to powers provided by its Board of Commissioners by the *Code of Virginia*. The debt service on these obligations has been paid in whole or in part by the Commonwealth and by revenues of the Port Authority. This debt is not backed by the full faith and credit of the Commonwealth. At June 30, 1986, there were outstanding revenue bonds and long-term notes payable in the amount of $60,068,072. The following schedule details the funding requirements necessary to amortize these obligations:

VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity
As of June 30, 1986

Maturity	Principal	Interest	Total
1987	$ 7,136,031	$ 4,530,796	$11,666,827
1988	7,456,073	4,093,705	11,549,778
1989	5,707,801	3,632,280	9,340,081
1990	5,954,739	3,215,370	9,170,109
1991	6,345,245	2,794,107	9,139,352
1992–2007	27,468,183	7,405,835	34,874,018
Total	$60,068,072	$25,672,093	$85,740,165

The Virginia Public School Authority issues bonds for which the proceeds are used to purchase bonds or other obligations issued by cities, counties, and towns of the Commonwealth to assist localities in financing school capital projects. The bonds are payable from the funds of the Authority and do not constitute a debt of the Commonwealth. At June 30, 1986, $223,240,000 of Authority bonds were outstanding. The following schedule details the annual funding requirements necessary to amortize these bonds:

VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity
As of June 30, 1986

Calendar Year Maturity	Principal	Interest	Total
1986	$ 18,640,000	$ 13,945,564	$ 32,585,564
1987	18,615,000	13,518,697	32,133,697
1988	18,620,000	12,400,761	31,020,761
1989	18,120,000	11,295,452	29,415,452
1990	18,115,000	10,201,563	28,316,563
1991–2005	131,130,000	52,643,421	183,773,421
Total	$223,240,000	$114,005,458	$337,245,458

The Virginia Public Building Authority issues bonds for the purpose of acquiring buildings to be leased by agencies of the Commonwealth. The bonds are payable from the funds of the Authority and are not backed by the full faith and credit of the Commonwealth, nor do they constitute a legal liability of the Commonwealth. At June 30, 1986, $103,450,000 of Authority bonds were outstanding. The following schedule details the annual funding requirements necessary to amortize these bonds:

VIRGINIA PUBLIC BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity
As of June 30, 1986

Maturity	Principal	Interest	Total
1987	$ 2,625,000	$ 9,237,490	$ 11,862,490
1988	2,810,000	9,066,865	11,876,865
1989	3,010,000	8,875,785	11,885,785
1990	3,240,000	8,662,075	11,902,075
1991	3,490,000	8,422,315	11,912,315
1992–2004	88,275,000	68,947,569	157,222,569
Total	$103,450,000	$113,212,099	$216,662,099

Public Benefit Corporations consisting of the Virginia Housing Development Authority (VHDA), the Virginia Education Loan Authority (VELA), and the Virginia Resources Authority (VRA) issue bonds as part of their activities. This debt is not backed by the full faith and credit of the Commonwealth and does not constitute a liability of the Commonwealth. At June 30, 1986, the outstanding long-term debt of these organizations was $2,433,611,000, $387,846,042, and $61,624,169, respectively. The following schedules detail the annual funding requirements necessary to amortize bonds issued by VHDA, VELA, and VRA:

VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Principal Requirements to Maturity
As of June 30, 1986

Maturity	*Principal
1987	$ 73,533,000
1988	77,497,000
1989	78,905,000
1990	83,395,000
1991	83,755,000
1992–2022	2,268,674,000
Less: Unamortized Discounts and Premiums	223,592,000
Total	$2,433,611,000

*Interest payments for VHDA are not available.

VIRGINIA EDUCATION LOAN AUTHORITY BONDS
Debt Service Requirements to Maturity
As of June 30, 1986

Maturity	Principal	Interest	Total
1987	$ 37,280,000	$ 31,506,677	$ 68,786,677
1988	42,600,000	28,549,894	71,149,894
1989	43,735,000	26,178,315	69,913,315
1990	42,095,000	21,665,730	63,760,730
1991	40,920,000	18,124,964	59,044,964
1992–1999	188,010,000	53,040,605	241,050,605
Less: Unamortized Discounts and Issuance Expenses	(6,793,958)		(6,793,958)
Total	$387,846,042	$179,066,185	$566,912,227

VIRGINIA RESOURCES AUTHORITY BONDS
Principal Requirements to Maturity
As of June 30, 1986

Maturity	*Principal
1987	$ 1,080,840
1988	1,335,000
1989	1,405,000
1990	1,865,000
1991	1,990,000
1992–2016	55,944,160
Less: Unamortized Discounts and Issuance Expenses	1,995,831
Total	$61,624,169

*Interest payments for VRA are not available.

The State Highway Commission, as authorized by the *Code of Virginia*, has issued bonds for the construction of the Norfolk-Virginia Beach Toll Road. The principal and interest requirements on these bonds are paid from the tolls and other revenues arising from the operation of the toll road. These bonds are not backed by the full faith and credit of the Commonwealth and do not constitute a liability of the Commonwealth. The following schedule details the annual funding requirements necessary to amortize these bonds:

NORFOLK-VIRGINIA BEACH TOLL REVENUE BONDS
Principal Requirements to Maturity
As of June 30, 1986

Calendar Year Maturity	*Principal
1986	$ 705,000
1987	730,000
1988	755,000
1989	785,000
1990–2004	15,840,000
Total	$18,815,000

*Interest payments for these bonds are not available.

The following schedule summarizes the changes in long-term debt reflected in the General Long-Term Debt Account Group:

Schedule of Changes in General Long-Term Debt

(Dollars in Thousands)

	Balance July 1, 1985	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 1986
Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Article X, Sections 9(b) and 9(c) Bonds:				
Public Facilities Bonds, Series 1978	$ 83,475	$	$ 6,575	$ 76,900
Transportation Facilities Bonds, Series 1983	57,000			57,000
Total Sections 9(b) and 9(c) Bonds	140,475		6,575	133,900
Other Long-Term Debt:				
Long-Term Capital Lease Obligations	8,201	1,203		9,404
Long-Term Portion of the Liability for Compensated Absences	115,916	8,587		124,503
Total Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth	264,592	9,790	6,575	267,807
Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Norfolk Virginia Beach Toll Revenue Bonds, Series 1965	19,955		1,140	18,815
Virginia Port Authority Long-Term Debt	80,487	44,215	1,644	60,058
Virginia Public School Authority Bonds	198,670	41,820	17,250	223,340
Virginia Public Building Authority Long-Term Debt	103,920		2,470	101,450
Total Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	355,032	76,035	22,504	408,563
Total General Long-Term Debt Account Group	$ 621,624	$ 85,825	$ 29,079	$ 676,370

Bond Defeasance

On December 18, 1985, the University of Virginia issued $37,200,000 of Series D Hospital Revenue Bonds, the proceeds from which were deposited into an escrow account to provide payment of principal and interest on the remaining $40,000,000 of the Series B Hospital Revenue Bonds. This transaction resulted in a gain on refunding of debt of $1,020,893. The refunded bonds are now secured exclusively by the escrow account and will no longer be secured by a pledge of net revenues or any other obligation of the Hospitals. Accordingly, neither the escrow deposit nor the bonds payable are included in the financial statements.

In addition, the University of Virginia retired $5,000,000 of Series D Hospital Revenue Bonds on May 22, 1986 by issuing $5,000,000 of Higher Education Series 9(c) Bonds.

During fiscal year 1985, the Commonwealth defeased certain outstanding bonds by placing existing resources and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Commonwealth's financial statements. At June 30, 1986, the following outstanding bonds are considered defeased:

1973 Transportation Facilities Bonds	$47,000,000
1984 University of Virginia Hospital Revenue Bonds — Series A	$40,000,000
1984 University of Virginia Hospital Revenue Bonds — Series B	$70,000,000

Capital Leases

The Commonwealth of Virginia is involved in numerous agreements to lease buildings and equipment. SFAS Number 13, "Accounting for Leases," requires that noncancellable lease agreements—including those that are cancellable only upon occurrence of a remote contingency—that effectively transfer all of the benefits and risks of property ownership from the lessor to the lessee be recorded essentially as sale-purchase transactions by the lessee if any one of these "capital lease" criteria is met at the inception of the lease:

(a) The lease transfers title to the property from the lessor to the lessee by the end of the lease term.

(b) The lease contains a "bargain purchase option" which permits the lessee to purchase the property from the lessor during the lease term at a price which is sufficiently lower than the expected fair market value of the property when the purchase option is exercisable to virtually assure that the purchase option will be exercised.

(c) The lease term is for 75 percent or more of the estimated remaining useful economic life of the property. [If the lease term begins within the last 25 percent of the total useful economic life of the leased property, this criterion will not apply for the test for capitalization.]

(d) The present value of the minimum lease payments is 90 percent or more of the fair market value of the property, net of any related investment tax credit retained and expected to be realized by the lessor. [If the lease term begins within the last 25 percent of the total useful economic life of the leased property, this criterion will not apply for the test for capitalization.]

For all capital leases, the gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 1986, are:

1987	$ 6,226,741
1988	4,491,907
1989	3,373,408
1990	1,769,233
1991	1,294,727
After 1991	8,798,123
Total Gross Minimum Lease Payments	25,953,739
Less Amount Representing Executory Costs including profit thereon, included in total gross minimum lease payments	4,138,178
Net Minimum Lease Payments	21,815,561
Less Amount Representing Interest	8,928,976
Present Value of Net Minimum Lease Payments	$12,886,585

(1) Executory costs are defined as those costs incidental to the use of the leased property such as taxes, maintenance, and insurance.

(2) Interest is defined as that amount computed based upon the Commonwealth's incremental borrowing rate for each of its leases which reduces net minimum lease payments to present value.

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Assets under capitalizable leases have been recorded as fixed assets at the lower of the net present value of the minimum lease payments during the lease term or the fair market value and, accordingly, have been included in the financial statements together with other fixed assets. The following is an analysis of the leased property under capital leases by asset category as of June 30, 1986:

	General Fixed Assets Account Group	Enterprise Funds	Internal Service Funds	Higher Education Fund	Totals (Memorandum Only)
Buildings	$ 6,991,536	$607,176	$ —	$ 146,995	$ 7,745,712
Equipment	7,165,506	—	1,640,544	2,747,290	11,553,340
Less Accumulated Depreciation(3)	—	(193,348)	(1,115,945)	—	(1,309,293)
Total Fixed Assets	$14,157,042	$413,828	$ 524,599	$2,894,285	$18,989,754

(3) Buildings and equipment in the Enterprise Funds and Internal Service Funds have been depreciated using the straight-line method over their estimated total useful economic life (if lease capitalization criterion (a) or (b) has been met) or their related lease terms (if lease capitalization criterion (c) or (d) has been met). No depreciation is provided for buildings and equipment in the General Fixed Assets Account Group or the Higher Education Fund.

Installment Purchases

The Commonwealth of Virginia finances the acquisition of certain property and equipment through installment purchase agreements. The length of the agreements and the interest rates charged vary. In most cases, the agreements are collateralized by the property and equipment acquired. The balance of installment purchases outstanding at June 30, 1986 was $12,398,804, and is included in notes payable on the Combined Balance Sheet.

6. DEFICIT RETAINED EARNINGS/FUND BALANCES

The deficit retained earnings in the Virginia Resources Authority is attributable to the deferral of revenue relating to loan origination fees. These fees are considered yield adjustments and, accordingly, are deferred and amortized over the lives of the related loans. The fees are recorded as deferred revenue; however, the related cash is available to pay operating expenses of the Authority. The deficit fund balance in the Administration Fund of the Pension Trust Funds is due to the accrual of expenses for goods and services received but not yet paid at year end.

7. CONTRIBUTED CAPITAL

Contributed capital in the Internal Service Funds totaling $5,695,692 consists of $1,600,000 in General Fund appropriations and $4,095,692 in contributed property and equipment. The property and equipment are recorded at historical cost. Contributed capital in the Enterprise Funds-State consists of $1,526,414 in contributed property and equipment. The property and equipment are recorded at historical cost. Contributed capital in the Enterprise Funds-Public Benefit Corporations consists of $2,228,000, in contributed property and equipment, which is recorded at historical cost.

8. ADJUSTMENTS TO FUND EQUITY

For the fiscal year ended June 30, 1986, certain changes have been made to the financial statements to better conform with the governmental model. Additionally, 1985 memorandum totals for the General Fund, the Special Revenue Funds, the Enterprise Funds, the Internal Service Funds, the Expendable Trust Funds, the Nonexpendable Trust Funds, and the Higher Education Fund have been restated.

The following schedule details the restatements made to Fund Equity as of June 30, 1985, to give retroactive effect to these changes:

Restatement of Beginning Fund Equity

(Dollars in Thousands)

	General	Special Revenue	Enterprise-State	Internal Service	Expendable Trust	Nonexpendable Trust	Pension Trust	Higher Education
Fund Equity, June 30, 1985, as previously reported	$ 422,780	$ 165,360	$ 4,291	$ 37,779	$ 1,134,666	$ 6,403	$ 4,173,520	$ 2,331,753
To record the effect of changes in accounting treatment of governmental activities		67	30	895	(13,190)	(2,806)		
To record the effect of changes in accounting for Department of Highways' accounts receivable		76,163						
To record the effect of changes in accounting for estimated tax refunds payable	227,199							
To eliminate appropriations available from the Higher Education Fund								
To reclassify federal grant money received but not spent		37,443						110,231
Other				432	15,882			11,881
Fund Equity, June 30, 1985, as restated	195,581	331,269	4,321	39,106	1,137,358	3,597	4,173,520	2,333,803
Other Adjustments	9	139	391	314	1,109		69	
Fund Equity, June 30, 1985, as adjusted	$ 195,590	$ 331,408	$ 4,712	$ 39,420	$ 1,138,467	$ 3,597	$ 4,173,589	$ 2,333,803

9. RETIREMENT AND PENSION SYSTEMS

Employees participate in one of three contributory retirement systems. The Virginia Supplemental Retirement System (VSRS) is a statewide retirement plan that provides retirement benefits to State employees, teachers, and political subdivision employees. The State Police Officers' Retirement System and the Judicial Retirement System are single employer retirement plans. The State Police Officers' Retirement System provides retirement benefits to Virginia State police officers, and the Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary. All retirement systems are administered by the Virginia Supplemental Retirement System. Benefits provided include full retirement benefits, disability retirement benefits, death in-service benefits and cost of living increases.

The retirement systems are contributory defined benefit pension plans. Covered employees contribute 5% of their creditable compensation, and earn interest at the rate of 4% credited annually on their accumulated contributions. Accumulated contributions plus interest earned are refundable to employees upon their termination. Employers contribute, at rates actuarially determined under the entry age normal cost method, such amounts as are necessary to sufficiently fund the annual normal costs, annual supplementary costs, and past service costs within 40 years. Employers may also elect to pick up and pay contributions for their employees, in which case there are differences in the way contributions are handled for those members. Contributions made to each plan during the fiscal year are the actuarially required contributions. The Commonwealth's policy is to fund accrued pension costs. The Commonwealth's total contributions, which include amortization of prior service costs within a 40 year period, for fiscal years ended June 30, 1986 and 1985 were as follows:

	FY '86	FY '85
State Employees	$210,992,670	$193,034,915
State Police Officers	5,439,811	5,035,307
Judiciary Employees	6,920,307	6,147,924

The amount of assets and reserves to be provided by the employers through future contributions is actuarially determined on a biennial basis for each retirement plan. For State employees, teachers, State police officers, and the judiciary, the amount of assets and reserves to be provided at June 30, 1986, was actuarially computed as of June 30, 1984, and as of June 30, 1985, for political subdivision employees. Pursuant to Section 51-111.22, *Code of Virginia*, the next computation will be as of June 30, 1986, for State employees, teachers, State police officers, and the judiciary. The results of this computation will not be available before January, 1987.

The computation presents an estimate of the discounted present value of the prospective accrued liability for contributions that will have to be paid by employers in the future so that such contributions, together with the assets on hand and the normal contributions to be made in the future by employers and the members, will be sufficient to provide all of the System benefits to be paid in the future to present members and retired members of the System. The breakdown of the total present value of prospective accrued liability contributions is as follows:

To be paid by the Commonwealth on behalf of State employees	$1,083,940,000
To be paid by the Commonwealth and school boards on behalf of teachers	1,635,750,000
To be paid by political subdivisions on behalf of their employees	361,059,000
Subtotal	3,080,749,000
To be paid by the Commonwealth on behalf of State police officers	25,257,000
To be paid by the Commonwealth on behalf of the judiciary	35,846,000
Total	$3,141,852,000

The valuation method used by the actuary is the projected benefit method with level percentage entry-age normal cost and open end unfunded accrued liability. Gains and losses are reflected in the unfunded accrued liability, which is amortized by regular annual contributions as a level percentage of payroll within a 40 year period from each valuation. The more significant assumptions underlying the actuarial computations are an interest rate as

sumption of 6½% and an inflation component of 4½% in the salary increase assumption. In addition, the actuarial cost method reflects the full costs of ancillary benefits in the level normal and accrued liability rates. These actuarial assumptions and methods were adopted by the Board of Trustees beginning with the June 30, 1980, computations. There were no changes in the assumptions and methods used by the actuary for the 1984 and 1985 valuations.

10. DEFERRED COMPENSATION PLAN

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan was established by the Deferred Compensation Board in 1979, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51-111.67:14 et. seq. of the *Code of Virginia*. The Virginia Supplemental Retirement System administers the plan under the direction of the Deferred Compensation Board. The Department of Accounts is responsible for the accounting, reconciliations, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the Hartford Variable Annuity Life Insurance Company for investment. The plan is designed so that each participant retains investment control of his/her individual account. The investment options range from a guaranteed rate of return in the general account to the aggressive growth fund account which seeks growth of capital. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. All assets and liabilities of the plan are stated at market value.

It is the opinion of the Attorney General that the Commonwealth has no liability for losses under the plan. The plan assets are subject to the claims of the Commonwealth's general creditors, however, to the knowledge of the Attorney General, no assets have been used in the past to satisfy such claims.

11. SEGMENT INFORMATION—ENTERPRISE FUNDS

A. State. The Commonwealth currently maintains three Enterprise Funds which are intended to be self supporting through charges to users of their products and services. These Enterprise Funds are:

- The Department of Alcoholic Beverage Control (ABC) which operates facilities for the distribution and sale of distilled spirits and wine;
- The Virginia Industries for the Blind which manufactures products for sale to governments, certain private organizations, and the general public; and,
- The Division of Legislative Services which accounts for the sale of the *Virginia Register*.

Additionally, the Commonwealth exercises oversight responsibilities for the gift shop and food services of the Virginia Museum of Fine Arts, which is an agency of the Commonwealth.

B. Public Benefit Corporations. The Commonwealth currently includes five Public Benefit Corporations in the Enterprise Funds. The Public Benefit Corporations are:

- Virginia Housing Development Authority which is empowered by the *Code of Virginia* to finance housing intended for occupancy or ownership, or both, by families of low and moderate income;
- Virginia Education Loan Authority which is empowered by the *Code of Virginia* to provide loans to eligible students at institutions of higher education and vocational schools;
- Virginia International Terminals, Incorporated which operates several marine terminals for the Virginia Port Authority;
- Virginia Resources Authority which encourages the investment of both public and private funds and makes loans and grants available to local governments to finance water and sewer projects; and,
- State Education Assistance Authority which guarantees obligations of students and their parents at public or private institutions of higher education.

Selected financial information by Enterprise Fund activity is presented on the following page.

Selected Segment Information
For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	State			Public Benefit Corporations					
	Department of Alcoholic Beverage Control	Other	Sub-Total	Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia Resources Authority	Other	Sub-Total	Total Enterprise Funds
Operating Revenues	$351,671	$8,283	$359,954	$ 247,659	$ 49,403	$ 4,009	$72,136	$ 373,207	$ 644,281
Depreciation Expense	1,458	28	1,486	172	136	6	1,067	1,381	2,867
Operating Income (Loss)	46,881	152	46,733	44,353	6,401	112	2,884	53,750	80,299
Net Transfers (To)	(15,698)		(15,698)						(15,698)
Net Nonoperating Revenues (Expenses)	578	191	337						337
Net Income (Loss)	647	30	698	44,353	6,401	112	2,884	53,750	44,274
Property, Plant, and Equipment:									
Additions	1,251	166	1,409	1,903	1,724	3	1,076	4,706	6,115
Total Assets	39,100	3,659	41,759	2,813,998	221,058	63,567	54,740	3,153,363	3,197,304
Total Long-Term Liabilities	11,166	80	11,246	2,447,969	143,080	61,833	733	2,653,815	2,665,061
Total Liabilities	35,451	320	35,771	2,579,368	143,809	63,867	3,996	2,791,040	2,826,811
Total Equity	3,649	3,339	6,988	234,722	77,249	3,700	49,754	365,425	372,413
Total Working Capital	4,174	3,591	7,765	267,841	41,776	61,369	18,641	389,627	397,392

12. COMMITMENTS AND CONTINGENCIES

A Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education and other State agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Certain agencies within the Commonwealth may not be in total compliance with these regulations. Failure to have complied with certain systems requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. We believe that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

B Highway Construction Projects

At June 30, 1986, the Department of Highways and Transportation had contractual commitments of approximately $493.1 million for construction of various highway projects. Funding of these future expenditures is expected to be provided as follows: (1) Federal Funds – approximately 65% or $321 million, and (2) State Funds – approximately 35% or $172.1 million.

C Litigation

The Commonwealth is named as a party in legal proceedings that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material, adverse effect on the financial condition of the Commonwealth.

D Operating Leases

The Commonwealth of Virginia has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month to month basis. In most cases management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense under the operating leases for the year ended June 30, 1986, was $37,396,994. The Commonwealth has, as of June 30, 1986, the following minimum rental payments due under the above leases:

1987	$18,306,758
1988	14,221,628
1989	10,283,744
1990	7,663,091
1991	5,421,330
After 1991	10,117,139
Total	$66,013,690

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

13. SUBSEQUENT EVENTS

Subsequent to year end, the Virginia Resources Authority issued bonds in the amount of $100,000,000. The bonds are dated July 15, 1986, and have interest rates ranging from 4.0% to 7.5%. The bonds are payable solely from the principal and interest payments received by the Virginia Resources Authority on loans to local governments and moneys in the funds held by the trustee and available for such payment. The bonds mature on various dates to November 1, 2017.

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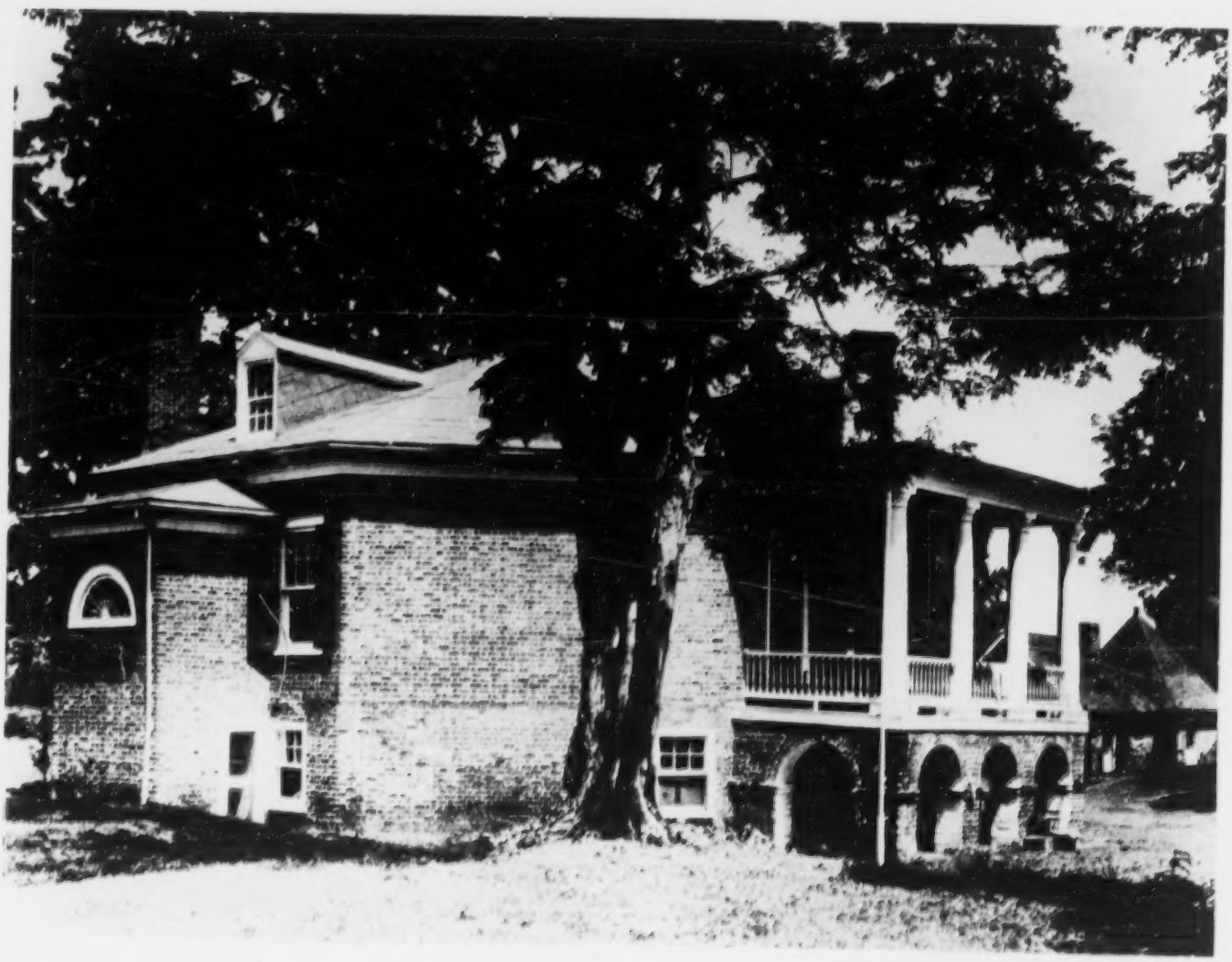
Poplar Forest

In 1806, anticipating his eventual retirement from public life, President Thomas Jefferson began construction of a second home on his secluded Poplar Forest estate in Bedford County. Believed to be the first octagonal house in America, the building was one of Jefferson's most creative and original designs. Several times a year, Jefferson would retire to Poplar Forest to escape the throngs of visitors at Monticello. He wrote of his rural retreat in a letter to a friend in 1810, "I have fixed myself comfortably, keep some books here, bring others occasionally, and in the solitude of a hermit."

Not unlike Monticello, Jefferson also constantly made changes to Poplar Forest; consequently, the house was not actually completed until 1817. After his death, the house was severely damaged in a fire in 1845 which led to several interior alterations. In 1983, a local preservation group known as The Corporation for Jefferson's Poplar Forest, purchased the house and immediate grounds with plans to restore them.



Combining & Individual Fund Statements

General Fund

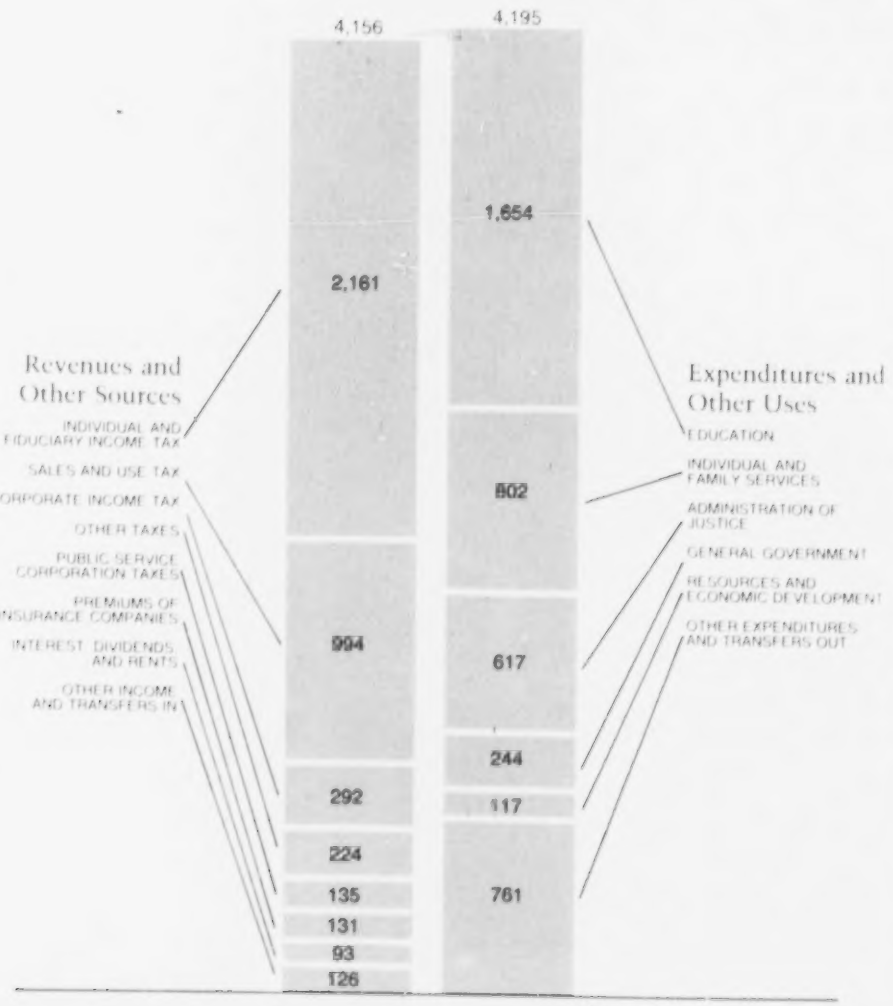
The General Fund accounts for all resources received and used for services traditionally provided by a state government. These services include general government, legislative, public safety, judicial, licensing and regulation, and any other services not accounted for in another fund.

Analysis

The graph at the right provides a breakdown of General Fund revenues and expenditures for the year ended June 30, 1986, on the modified accrual basis of accounting. Under this basis, total expenditures and other uses exceeded revenues and other sources by $39 million in 1986.

Revenues and other sources increased $297 million over the prior year, or 8%, primarily as a result of an increase in tax revenues. Expenditures and other uses increased $443 million over the prior year, or 12%, primarily as a result of increases of $163 million in education, $77 million in individual and family services, and $79 million in administration of justice.

General Fund
Revenues and Expenditures
Fiscal Year 1986
(DOLLARS IN MILLIONS)



Balance Sheet
General Fund

June 30, 1986

(Dollars in Thousands)

	June 30, 1986	June 30, 1985
Assets		
Cash and Cash Equivalents	$ 341,719	$ 329,000
Petty Cash and Travel Advances	3,703	3,582
Taxes Receivable (Net)	243,820	235,357
Loans and Accounts Receivable (Net)	5,051	4,282
Accrued Interest Receivable	559	12
Other Receivables	213	271
Due from Other Funds	10,681	7,998
Loans Receivable from Proprietary Funds	11,500	12,938
Total Assets	$ 617,246	$ 593,440
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	$ 73,433	$ 60,882
Tax Refunds Payable	36,005	33,460
Amounts Due to Localities	73,507	74,173
Accrued Interest Payable	—	47
Deposits Pending Distribution	508	488
Due to Other Funds	20,246	1,115
Deferred Revenue	346	312
Deferred Credit	257,363	227,490
Accrued Liability for Compensated Absences	253	263
Total Liabilities	461,661	398,230
Fund Balance:		
Reserved for Working Capital Advances	11,500	12,938
Unreserved:		
Designated	316,658	283,870
Undesignated	31,572	47,068
Fund Balance—Budgetary Basis	359,730	343,876
Adjustments from Budget to GAAP	(204,145)	(148,666)
Total Fund Balance	155,585	195,210
Total Liabilities and Fund Balance	$ 617,246	$ 593,440

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Year Ended June 30, 1986	Year Ended June 30, 1985
Revenues:		
Taxes	$3,936,898	$3,628,813
Rights and Privileges	25,592	17,918
Sales of Property and Commodities	387	672
Assessments and Receipts for Support of Special Services	491	919
Institutional Revenue	3,172	2,508
Interest, Dividends, and Rents	92,685	91,944
Fines, Forfeitures, Court Fees, Penalties, and Escheats	33,473	31,828
Receipts from Cities, Counties, and Towns	979	1,173
Other	13,165	26,430
Total Revenues	4,106,842	3,802,205
Expenditures:		
General Government	243,572	220,117
Education	1,654,467	1,491,152
Transportation	11,654	8,776
Resources and Economic Development	117,493	110,512
Individual and Family Services	802,060	724,730
Administration of Justice	617,124	538,182
Enterprises	5,364	5,484
Total Expenditures	3,451,734	3,098,953
Revenues Over (Under) Expenditures	655,108	703,252
Other Financing Sources (Uses):		
Transfers:		
Operating (Net)	(744,091)	(653,920)
ABC Profit	29,738	25,831
Appropriations Act	18,081	24,219
Proceeds from Capital Leases	1,534	6,954
Total Other Financing Sources (Uses)	(694,738)	(596,916)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(39,630)	106,336
Fund Balance, July 1, as adjusted	195,215	88,874
Fund Balance, June 30	$ 155,585	$ 195,210

See Notes to the Financial Statements.

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—Budgetary Basis General Fund

For the Fiscal Year Ended June 30, 1986

(Dollars in Thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Individual and Fiduciary Income	$ 2,145,400	$ 2,174,272	$ 28,872
Sales and Use	1,027,400	1,023,048	(4,352)
Corporation Income	318,700	280,768	(37,932)
Public Service Corporations	129,700	134,953	5,253
Premiums of Insurance Companies	112,000	131,181	19,181
Other Taxes	219,100	218,370	(730)
Total Taxes	3,952,300	3,962,592	10,292
Rights and Privileges	21,100	25,354	4,254
Sales of Property and Commodities	400	387	(13)
Assessments and Receipts for Support of Special Services	500	592	92
Institutional Revenue	2,700	2,624	(76)
Interest, Dividends, and Rents	94,500	93,110	(1,390)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	33,400	33,871	471
Receipts from Cities, Counties, and Towns	700	988	288
Other	18,300	12,260	(6,040)
Total Revenues	4,123,900	4,131,778	7,878
Expenditures:			
General Government	259,603	242,186	17,417
Education	1,662,842	1,651,039	11,803
Transportation	12,193	12,165	28
Resources and Economic Development	123,751	116,419	7,332
Individual and Family Services	800,637	799,397	1,240
Administration of Justice	617,205	611,769	5,436
Enterprises	5,813	5,395	418
Total Expenditures	3,482,044	3,438,370	43,674
Revenues Over (Under) Expenditures	641,856	693,408	51,552
Other Financing Sources (Uses):			
Transfers:			
Operating (Net):			
Higher Education Fund (Educational and General)	(628,243)	(628,243)	—
Other	(24,513)	(18,876)	5,637
Capital Outlay	(203,979)	(78,119)	125,860
ABC Profit	27,100	29,598	2,498
Appropriations Act	19,600	18,081	(1,519)
Total Other Financing Sources (Uses)	(810,035)	(677,559)	132,476
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(168,179)	15,849	184,028
Fund Balance, July 1	343,881	343,881	—
Fund Balance, June 30	$ 175,702	$ 359,730	$ 184,028

See Notes to the Financial Statements.

Balance Sheet Schedule — Budgetary Basis
General Fund

June 30, 1986

(Dollars in Thousands)

	June 30, 1986	June 30, 1985
Assets		
Cash and Cash Equivalents	$ 346,428	$ 329,000
Petty Cash and Travel Advances	3,703	3,582
Other Receivables	213	271
Loans Receivable from Proprietary Funds	11,500	12,938
Total Assets	$ 361,844	$ 345,791
Liabilities and Fund Balance		
Liabilities:		
Deposits Pending Distribution	$ 504	$ 488
Deferred Revenue	346	312
Due to Other Funds	1,264	1,115
Total Liabilities	2,114	1,915
Fund Balance:		
Reserved	11,500	12,938
Unreserved:		
Designated	316,658	283,870
Undesignated	31,572	47,068
Total Fund Balance	359,730	343,876
Total Liabilities and Fund Balance	$ 361,844	$ 345,791

See Notes to the Financial Statements.

Analysis of General Fund Balance — Budgetary Basis

June 30, 1986

(Dollars in Thousands)

Fund Balance at June 30, 1986		$ 359,730	
Reserved for Long-Term Working Capital Advances to Internal Service Funds	$ 4,500		
Reserved for Long-Term Loan to the Department of Alcoholic Beverage Control	7,000		
Total Reserved Fund Balance		11,500	
Unreserved Fund Balance at June 30, 1986			$ 348,230
Amount Required for Reappropriation of 1986 Unexpended Balances:			
Operating		12,459	
Capital Outlay		126,381	
Amount Required by Chapter 643, 1986 Acts of Assembly		177,204	
Amount Required by Chapter 643, 1986 Acts of Assembly, Item 153.8 Relating to Education Textbook Payments		614	
Total Designations			316,658
Balance Available for Appropriation			$ 31,572

See Notes to the Financial Statements.

Comparison of Sum-Sufficient Estimated Appropriations With Actual Expenditures — Budgetary Basis — General Fund

For the Fiscal Year Ended June 30, 1986

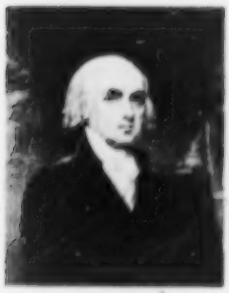
(Dollars in Thousands)

	Estimated Appropriations	Actual Expenditures	Amount Under (Over) Estimate
Enactment of Laws	$ 11,644	$ 10,685	$ 959
Financial Assistance to Localities — From Sale of Alcoholic Beverages	19,861	22,284	(2,423)
Financial Assistance for Special State Revenue Sharing (Sales Tax)	339,800	331,737	8,063
Financial Assistance to Localities (General)	400	413	(13)
Social Security Benefits (Local)	96,536	96,159	377
Group Life Insurance (Local)	3,935	3,919	16
Totals	$ 472,176	$ 465,197	$ 6,979

See Notes to the Financial Statements.

Montpelier

James Madison



Although James Madison was born in King George County in 1751, the fourth president and "Father of the Constitution" lived most of his life in Orange County at Montpelier in the foothills of the Blue Ridge Mountains. The original house was a small brick dwelling constructed by his father about 1760. After Madison inherited the plantation and soon after his marriage to Dolley Payne Todd, he remodeled and enlarged the mansion in consultation with his friend, Thomas Jefferson. Between 1797 and 1808, Madison added one-story wings to either side of the house, erected a classical four-columned portico on the front and constructed a long porch across the rear. A print of Montpelier, made by John G. Chapman for a popular magazine in 1843, shows the house much as Madison must have known it. He died in 1836, and both he and Dolley Madison are buried at Montpelier.

In 1901, Montpelier was sold to William DuPont, wealthy grandson of the founder of E. I. DuPont de Nemours and Company in Delaware. DuPont initiated an extensive expansion and remodeling project which included adding rooms to the mansion and raising Madison's one-story wings to two stories. After his death in 1928, his daughter, Marian DuPont Scott, inherited the 5,000 acre estate and over the years she developed Montpelier into a celebrated horse farm. Currently the house and grounds are owned by the National Trust for Historic Preservation, which expects to open the property to visitors in 1987, the bicentennial of the writing of the Constitution.

Special Revenue Funds

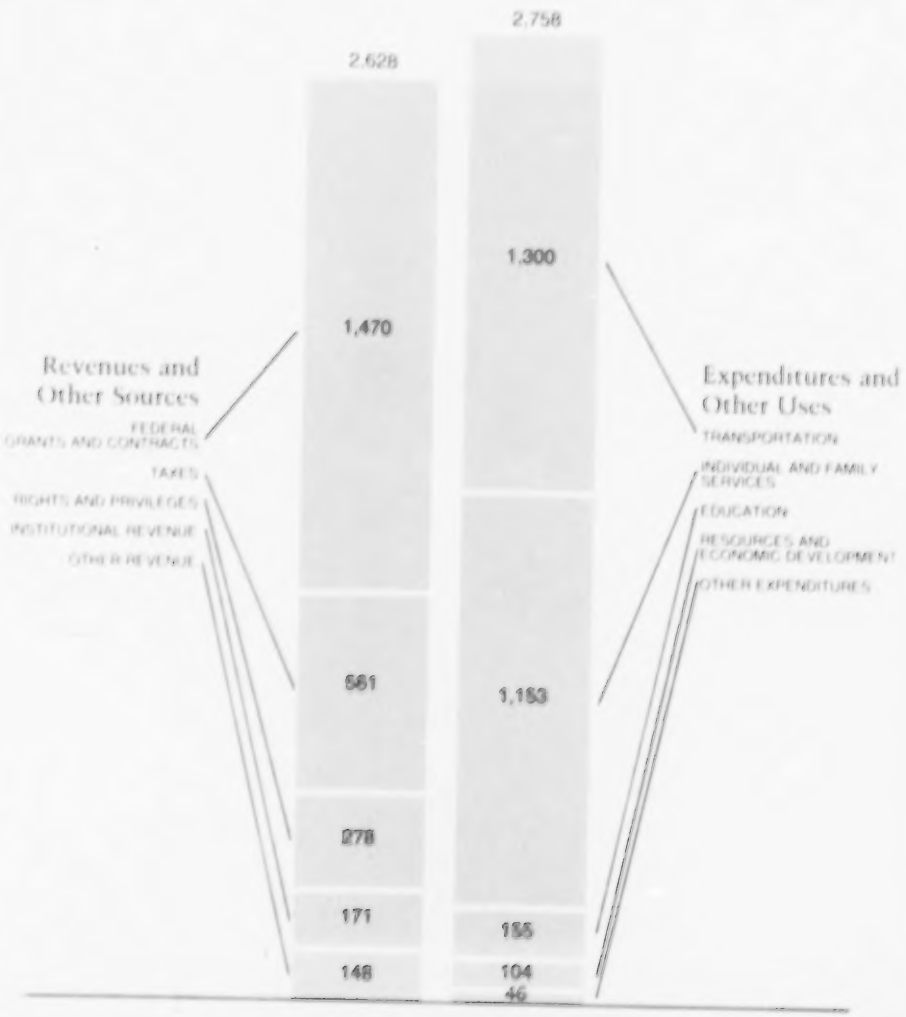
The Special Revenue Funds are maintained to account for those resources which are restricted to finance particular functions or activities of the Commonwealth. Special Revenue Funds are presented to illustrate the distinction among Highways, Federal, and Other Special Revenue. The following are the Special Revenue Funds of the Commonwealth and their functions:

Highway Maintenance and Construction—to account for revenues and expenditures associated with highway operations, maintenance, construction and related activities. Funding of these programs is provided from highway user taxes, fees, and funds received from the federal government.

Federal—to account for all federal monies received by the Commonwealth except those received by the Highway Maintenance and Construction Fund and Higher Education institutions.

Other—to account for various special purpose funds which have been established on a self-supporting basis. Revenues are generated from fees, taxes, licenses, and permits which are the primary source of support for the activities and services provided. Expenditures of these funds can only be made in accordance with restrictions imposed by the source of the revenues.

Special Revenue Funds
Revenues and Expenditures
Fiscal Year 1986
DOLLARS IN MILLIONS



Analysis

The graph presented provides a breakdown of Special Revenue Funds revenues and other sources and expenditures and other uses for the year ended June 30, 1986, on the modified accrual basis of accounting. Total revenues and other sources were below total expenditures and other uses by $130 million in 1986.

Revenues and other sources increased primarily as a result of increases of $203 million in federal grants and contracts, $12 million in institutional revenue, and $8 million in rights and privileges. These increases were offset by increases in expenditures and other uses of $259 million in transportation, $80 million in individual and family services, and $16 million in resources and economic development.

Combining Balance Sheet
Special Revenue Funds

June 30, 1986
(Dollars in Thousands)

	Highway Maintenance and Construction Fund	Federal Fund	Other Special Revenue Funds	Totals June 30, 1986	Totals June 30, 1985
Assets					
Cash and Cash Equivalents	$187,135	$ 37,009	$ 41,942	**$266,086**	$380,015
Petty Cash and Travel Advances	828	148	329	**1,305**	1,272
Loans and Accounts Receivable (Net)	14,446	43,562	48,485	**106,493**	140,500
Due from Other Funds	—	—	38,088	**38,088**	44,562
Total Assets	$202,409	$ 80,719	$128,844	**$411,972**	$566,349
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	$115,768	$ 59,133	$ 3,343	**$178,244**	$171,423
Deposits Pending Distribution	1,294	—	33	**1,327**	692
Due to Other Funds	—	20,619	3,573	**24,192**	24,135
Deferred Revenue	5,716	955	165	**6,836**	38,704
Accrued Liability for Compensated Absences	84	12	62	**158**	126
Total Liabilities	122,862	80,719	7,176	**210,757**	235,080
Fund Balance:					
Unreserved:					
Undesignated	178,646	—	89,926	**268,572**	397,697
Fund Balance—Budgetary Basis	178,646	—	89,926	**268,572**	397,697
Adjustments from Budget to GAAP	(99,099)	—	31,742	**(67,357)**	(66,428)
Total Fund Balance	79,547	—	121,668	**201,215**	331,269
Total Liabilities and Fund Balance	$202,409	$ 80,719	$128,844	**$411,972**	$566,349

See Notes to the Financial Statements.

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Special Revenue Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Highway Maintenance and Construction Fund	Federal Fund	Other Special Revenue Funds	Totals Year Ended June 30, 1986	Totals Year Ended June 30, 1985
Revenues:					
Taxes	$ 549,087	$ —	$ 11,659	**$ 560,746**	$ 559,625
Rights and Privileges	210,718	—	67,717	**278,435**	269,998
Sales of Property and Commodities	172	359	4,063	**4,594**	4,991
Assessments and Receipts for Support of Special Services	4,107	—	18,282	**22,389**	15,727
Institutional Revenue	—	—	171,396	**171,396**	159,018
Interest, Dividends, and Rents	715	1,700	1,267	**3,682**	5,616
Fines, Forfeitures, Court Fees, Penalties, and Escheats	3,827	—	1,574	**5,401**	4,758
Federal Grants and Contracts	382,276	1,087,126	780	**1,470,182**	1,266,656
Receipts from Cities, Counties, and Towns	40,476	—	37,730	**78,206**	73,601
Private Donations, Gifts, and Contracts	—	—	1,110	**1,110**	966
Other	—	8,368	22,800	**31,168**	17,477
Total Revenues	1,191,378	1,097,553	338,378	**2,627,309**	2,378,433
Expenditures:					
General Government	1,965	7,940	3,541	**13,446**	10,079
Education	1,688	127,735	25,966	**155,389**	161,009
Transportation	1,285,807	2,087	12,379	**1,300,273**	1,040,989
Resources and Economic Development	1,678	41,496	60,897	**104,071**	87,712
Individual and Family Services	—	910,181	242,607	**1,152,788**	1,072,489
Administration of Justice	2,923	2,858	2,871	**8,652**	9,719
Enterprises	—	370	626	**996**	460
Total Expenditures	1,294,061	1,092,667	348,887	**2,735,615**	2,382,457
Revenues Over (Under) Expenditures	(102,683)	4,886	(10,509)	**(108,306)**	(4,024)
Other Financing Sources (Uses):					
Transfers:					
Operating (Net)	(2,572)	(5,006)	(6,192)	**(13,770)**	(28,845)
Appropriations Act	(5,796)	(413)	(3,184)	**(9,393)**	(15,839)
Proceeds from Sale of Bonds	—	—	—	**—**	421
Proceeds from Capital Leases	743	533	—	**1,276**	1,997
Total Other Financing Sources (Uses)	(7,625)	(4,886)	(9,376)	**(21,887)**	(42,266)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(110,308)	—	(19,885)	**(130,193)**	(46,290)
Fund Balance, July 1, as adjusted	189,855	—	141,553	**331,408**	377,559
Fund Balance, June 30	$ 79,547	$ —	$ 121,668	**$ 201,215**	$ 331,269

See Notes to the Financial Statements.

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—Budgetary Basis Special Revenue Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Highway Maintenance and Construction Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$ 546,503	$ 549,195	$ 2,692
Rights and Privileges	200,379	210,048	9,669
Sales of Property and Commodities	—	171	171
Assessments and Receipts for Support of Special Services	—	—	—
Institutional Revenue	—	—	—
Interest, Dividends, and Rents	710	716	6
Fines, Forfeitures, Court Fees, Penalties, and Escheats	3,434	3,826	392
Federal Grants and Contracts	431,406	382,277	(49,129)
Receipts from Cities, Counties, and Towns	17,500	38,643	21,143
Private Donations, Gifts, and Contracts	—	—	—
Other	10,263	—	(10,263)
Total Revenues	1,210,195	1,184,876	(25,319)
Expenditures:			
General Government	2,452	1,962	490
Education	1,822	1,688	134
Transportation	1,470,968	1,270,596	200,372
Resources and Economic Development	1,991	1,687	304
Individual and Family Services	—	—	—
Administration of Justice	3,091	2,912	179
Enterprises	—	—	—
Total Expenditures	1,480,324	1,278,845	201,479
Revenues Over (Under) Expenditures	(270,129)	(93,969)	176,160
Other Financing Sources (Uses):			
Transfers:			
Operating:			
Other	—	2,486	2,486
Capital Outlay	(3,093)	(3,093)	—
Appropriations Act	(5,796)	(5,796)	—
Total Other Financing Sources (Uses)	(8,889)	(6,403)	2,486
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(279,018)	(100,372)	178,646
Fund Balance, July 1, as adjusted	279,018	279,018	—
Fund Balance, June 30	$ —	$ 178,646	$ 178,646

See Notes to the Financial Statements.

Federal Fund			Other Special Revenue Funds			Total Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ —	$ —	$ —	$ 13,429	$ 11,665	$ (1,764)	$ 559,932	$ 560,860	$ 928
500	—	(500)	57,869	68,506	10,637	258,748	278,554	19,806
—	348	348	3,786	4,214	428	3,786	4,733	947
—	—	—	16,373	22,350	5,977	16,373	22,350	5,977
—	(11)	(11)	128,618	177,817	49,199	128,618	177,806	49,188
—	186	186	1,688	1,206	(482)	2,398	2,108	(290)
—	—	—	1,475	1,577	102	4,909	5,403	494
1,185,472	1,041,798	(143,674)	259	710	451	1,617,137	1,424,785	(192,352)
—	—	—	37,493	39,404	1,911	54,993	78,047	23,054
—	—	—	784	1,097	313	784	1,097	313
440	7,512	7,072	76,255	35,543	(40,712)	86,958	43,055	(43,903)
1,186,412	1,049,833	(136,579)	338,029	364,089	26,060	2,734,636	2,598,798	(135,838)
38,295	7,915	30,380	4,368	3,451	917	45,115	13,328	31,787
160,786	130,216	30,570	29,278	26,645	2,633	191,886	158,549	33,337
2,478	2,192	286	20,968	16,011	4,957	1,494,414	1,288,799	205,615
71,418	41,692	29,726	70,608	60,802	9,806	144,017	104,181	39,836
901,997	856,185	45,812	285,620	254,488	31,132	1,187,617	1,110,673	76,944
8,995	3,090	5,905	3,332	2,851	481	15,418	8,853	6,565
397	331	66	762	622	140	1,159	953	206
1,184,366	1,041,621	142,745	414,936	364,870	50,066	3,079,626	2,685,336	394,290
2,046	8,212	6,166	(76,907)	(781)	76,126	(344,990)	(86,538)	258,452
—	(6,166)	(6,166)	—	13,800	13,800	—	10,120	10,120
(1,633)	(1,633)	—	(21,957)	(21,957)	—	(26,683)	(26,683)	—
(413)	(413)	—	(3,184)	(3,184)	—	(9,393)	(9,393)	—
(2,046)	(8,212)	(6,166)	(25,141)	(11,341)	13,800	(36,076)	(25,956)	10,120
—	—	—	(102,048)	(12,122)	89,926	(381,066)	(112,494)	268,572
—	—	—	102,048	102,048	—	381,066	381,066	—
$ —	$ —	$ —	$ —	$ 89,926	$ 89,926	$ —	$ 268,572	$ 268,572

Monroe's Law Office

James Monroe was born in Westmoreland County in 1758. No contemporary building has survived at the birthplace, although archaeological excavations have determined the site where the small Monroe family dwelling once stood.

Monroe's studies at the College of William and Mary were interrupted by his enlistment in the Continental Army at the beginning of the Revolution. From 1780 to 1783, Monroe studied law under Thomas Jefferson, beginning a lifelong friendship with his mentor. By the time Monroe began practicing law, he had already begun his long career of public service by being elected to the Virginia House of Delegates. Monroe located his law office in Fredericksburg, where a favorite uncle resided. Practicing law there until 1789, his office was in a long one-and-one-half-story brick structure with gabled dormers on Charles Street. In 1790, Monroe was elected to the United States Senate, and four years later President Washington appointed him minister to France.

Today, Monroe's law office is maintained as the James Monroe Museum and Memorial Library. While his office displays many personal items of the Monroe family, the library has a growing collection of books and manuscripts associated with James Monroe, the Monroe Doctrine and United States diplomatic relations with Latin America.

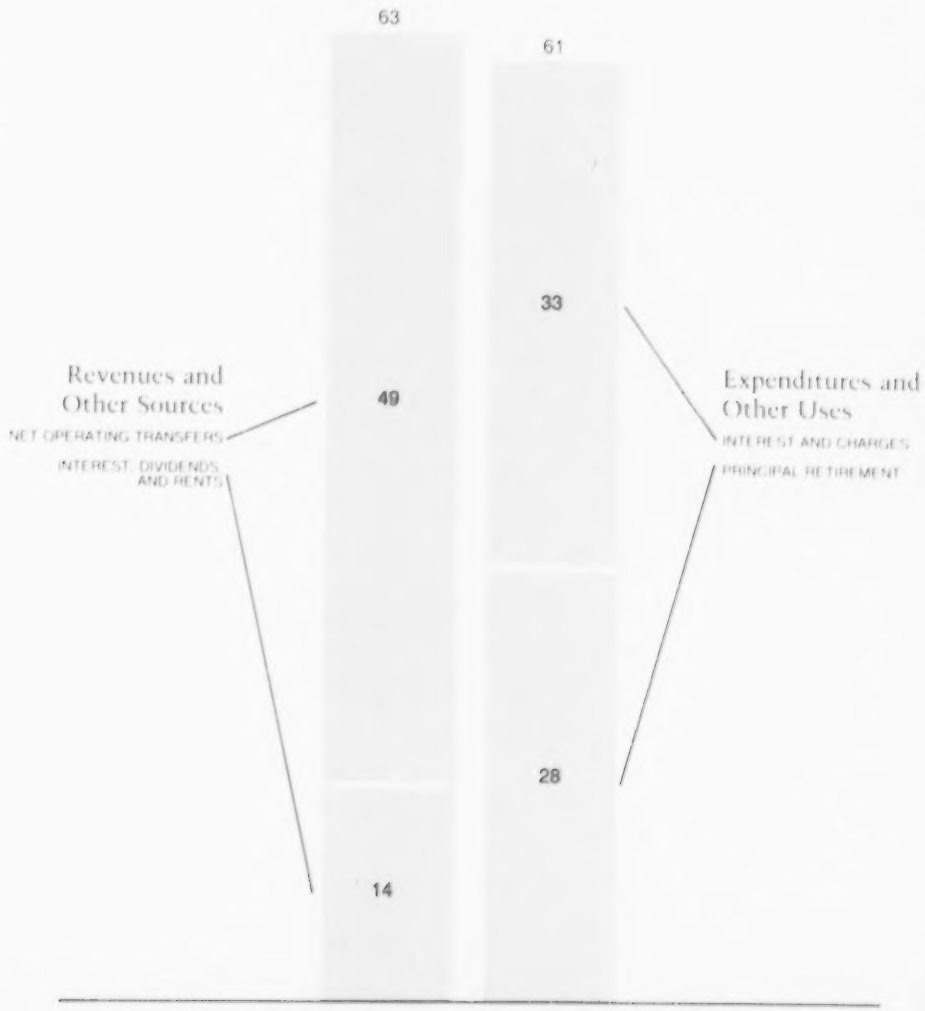
Debt Service Fund

The Debt Service Fund is maintained to account for the resources accumulated and used for the payment of interest and principal on long-term debt not reported in the proprietary fund types and the Higher Education Fund.

Analysis

Debt service expenditures on the long-term debt reported in the General Long-Term Debt Account Group are made through the Debt Service Fund. For the current year, principal payments on Section 9(b) general obligation bonds amounted to $6.6 million. These bonds are backed by the full faith and credit of the Commonwealth. Resources to pay principal and interest on all types of long-term debt primarily came from transfers from the General Fund and income associated with Revenue Bond Capital Projects.

Debt Service Fund
Revenues and Expenditures
Fiscal Year 1986
(DOLLARS IN MILLIONS)



Balance Sheet
Debt Service Fund

June 30, 1986
(Dollars in Thousands)

	June 30, 1986	June 30, 1985
Assets		
Cash and Cash Equivalents	$ 32,848	$ 34,745
Other Assets	372	372
Total Assets	$ 33,220	$ 35,117
Liabilities and Fund Balance		
Liabilities:		
Matured Interest Payable	$ 8,806	$ 12,423
Matured Debt Payable	4,052	4,842
Total Liabilities	12,858	17,265
Fund Balance:		
Unreserved:		
Designated for:		
General Long-Term Obligation Bond Debt Service	20,362	17,852
Total Fund Balance	20,362	17,852
Total Liabilities and Fund Balance	$ 33,220	$ 35,117

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance Debt Service Fund

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Year Ended	
	June 30, 1986	June 30, 1985
Revenues:		
Interest, Dividends, and Rents	$ 14,125	$ 16,544
Total Revenues	14,125	16,544
Expenditures:		
Debt Service:		
Principal Retirement	27,940	27,770
Interest and Charges	33,036	35,567
Total Expenditures	60,976	63,337
Revenues Over (Under) Expenditures	(46,851)	(46,793)
Other Financing Sources (Uses):		
Transfers:		
Operating (Net)	49,361	34,903
Debt Defeasance	—	(30,202)
Total Other Financing Sources (Uses)	49,361	4,701
Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,510	(42,092)
Fund Balance, July 1	17,852	59,944
Fund Balance, June 30	$ 20,362	$ 17,852

See Notes to the Financial Statements.

Ash Lawn

While a United States Senator in 1793, James Monroe purchased a 1,000 acre farm in Albemarle County. Soon after his retirement as minister to France, Monroe built a modest frame house on the property he called Highlands and took up residence there in late 1799. Although Monroe requested a design from Thomas Jefferson for a house to be built at Highlands, it is not known if Jefferson complied with his friends request. Jefferson did, however, choose the site for Monroe's little house and orchards on the property and even ordered some of the doors and windows.

The house at Highlands served as Monroe's home between many successive absences as governor of Virginia, the secretaries of war and state under President Madison, minister to Great Britain and Spain, and fifth president of the United States from 1817 to 1825. Although he retained his "cabin castle," as he referred to his house at Highlands, until 1830, after 1823 he chose to live at Oak Hill, his Loudoun County estate.

Later owners of Highlands changed its name to Ash Lawn in the 1830s. The Massey family, acquiring the farm in 1861, added a large brick house to the original Monroe section, reorienting the house to the east. In 1930, Jay Winston Johns purchased Ash Lawn and opened it to the public. On his death in 1974, the property was willed to the College of William and Mary who maintain it as a house museum and working farm.

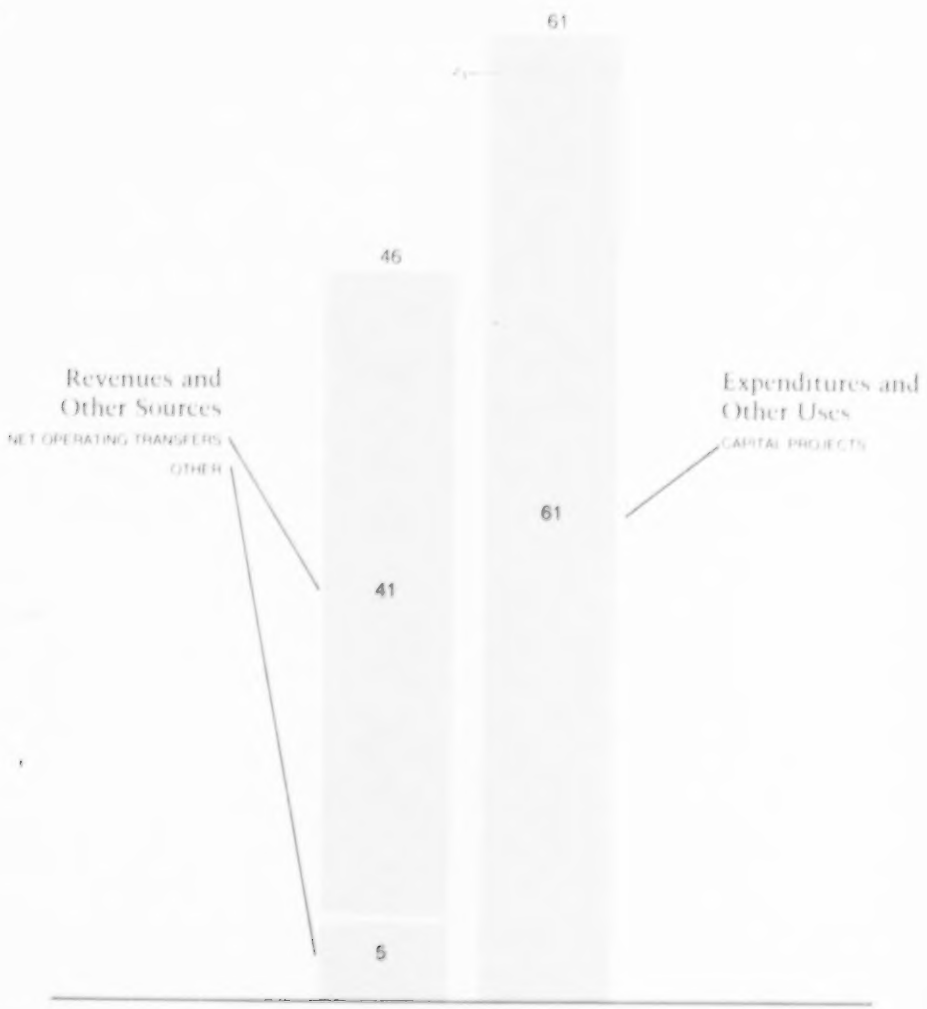
Capital Projects Fund

The Capital Projects Fund is maintained to account for resources received and used for the acquisition, construction, or improvement of certain major governmental general fixed assets financed principally by general obligation bonds or transfers from the General Fund. Capital projects, in general, are for correctional facilities, mental health institutions, parks, highways, and port facilities.

Analysis

In the Capital Projects Fund, revenues and other sources totaled $45.5 million, showing a decrease of 14.8% from 1985. Expenditures of $60.8 million decreased 21.7% from 1985. The net effect of revenues and other sources over expenditures was a reduction of $15.3 million in the Capital Projects fund balance.

Capital Projects Fund
Revenues and Expenditures
Fiscal Year 1986
DOLLARS IN MILLIONS



Balance Sheet
Capital Projects Fund

June 30, 1986
(Dollars in Thousands)

	June 30, 1986	June 30, 1985
Assets		
Cash and Cash Equivalents	$ 38,452	$ 53,870
Total Assets	$ 38,452	$ 53,870
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	$ 3,473	$ 3,545
Total Liabilities	3,473	3,545
Fund Balance:		
Unreserved:		
Designated	34,979	50,325
Total Fund Balance	34,979	50,325
Total Liabilities and Fund Balance	$ 38,452	$ 53,870

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance Capital Projects Fund

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Year Ended	
	June 30, 1986	June 30, 1985
Revenues:		
Interest, Dividends, and Rents	$ 4,521	$ 6,184
Total Revenues	4,521	6,184
Expenditures:		
Capital Projects	60,839	77,673
Total Expenditures	60,839	77,673
Revenues Over (Under) Expenditures	(56,318)	(71,489)
Other Financing Sources (Uses):		
Transfers:		
Operating (Net)	40,972	47,231
Total Other Financing Sources (Uses)	40,972	47,231
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(15,346)	(24,258)
Fund Balance, July 1	50,325	74,583
Fund Balance, June 30	$ 34,979	$ 50,325

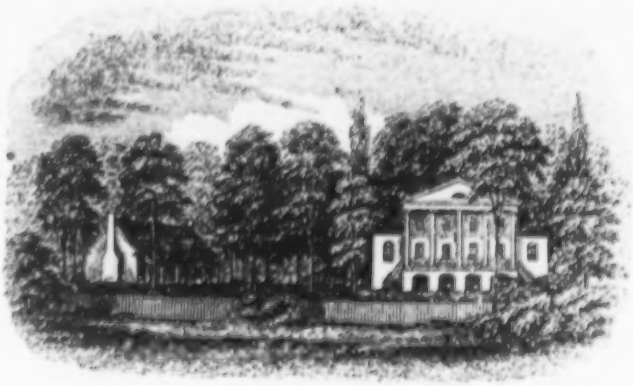
See Notes to the Financial Statements.

Oak Hill

Retiring from public life in 1825, James Monroe returned to Oak Hill in Loudoun County, living here until 1830. During his first term as president, Monroe began construction of Oak Hill and probably had the assistance of James Hoban, architect of the White House, in the design of the elegant Classical Revival mansion. The house began as a two-story central block flanked by small one-story wings. Showing the sophistication of a master architect, an unusual five-columned two-story Doric portico is the most striking feature of the house. An illustration of Oak Hill in the 1849 edition of Henry Howe's *Historic Collections of Virginia* reveals the house much as Monroe must have known it two decades earlier. Surviving today is a modest farmhouse, west of the main house, that was used by the family while Oak Hill was under construction.

The Monroes moved into the mansion in 1823 and spent much of their time, and finances, entertaining frequent visitors. Perhaps their most celebrated guest was General Lafayette who visited Oak Hill in 1824. When he returned to France, Lafayette sent his old friends the two marble mantels in the main drawing rooms of the house.

In 1830, Monroe's wife died at Oak Hill, and soon thereafter, Monroe, emotionally distraught and financially bankrupt, was forced to sell Oak Hill and move to New York to live with his daughter. Although Monroe died and was buried in New York in 1831, his remains were reinterred with great ceremony in Richmond's Hollywood Cemetery in 1858.



Oak Hill's east and west wings were expanded and alterations were made by owners in 1923. Today, the well-preserved house remains a private dwelling.

Enterprise Funds–State and Public Benefit Corporations

The Enterprise Funds–State are maintained to account for those operations of State government which render services to the general public in a manner similar to private business enterprises. It is the intent that the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges.

The following are the Enterprise Funds–State activities of the Commonwealth and their functions:

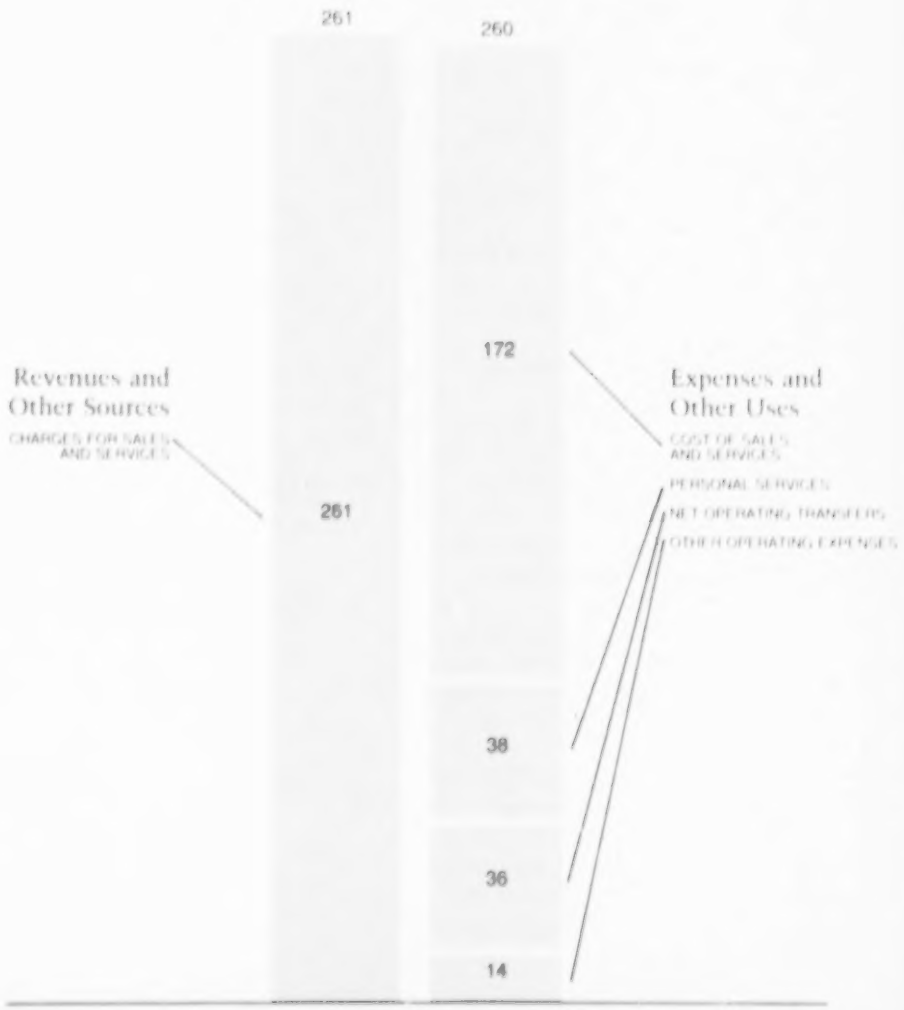
- ***Department of Alcoholic Beverage Control—operates facilities for the distribution and sale of distilled spirits and wine.***
- ***Virginia Industries for the Blind—manufactures products for sale to governments, certain private organizations, and the general public.***
- ***Virginia Museum of Fine Arts—operates gift shop and food services activities.***
- ***Division of Legislative Services—accounts for sales of the* Virginia Register, *a publication which lists all proposed and final state agency regulations.***

Analysis

Enterprise Funds–State

For fiscal 1986, Enterprise Funds received $261.3 million in revenues. Expenses for the same period came to $224.9 million, yielding an income before operating transfers of $36.4 million. Net operating transfers, primarily legislatively mandated transfers to the General Fund from ABC, reduced this figure by $35.7 million, to produce income from operations of $.7 million in 1986.

Enterprise Funds–State Revenues and Expenses
Fiscal Year 1986
(DOLLARS IN MILLIONS)



Enterprise Funds–State and Public Benefit Corporations

The Enterprise Funds–Public Benefit Corporations are those public corporations empowered by the Code of Virginia *to provide certain services to the citizens of Virginia, but which are not agencies of the State. While these organizations are not agencies of the State, generally accepted accounting principles require that they be included as part of the Commonwealth's financial reporting entity. These organizations receive no tax monies from the State, nor is their debt a liability of the State. Based on the criteria established by the* Codification of Governmental Accounting and Financial Reporting Standards, *which embodies NCGA Statement 3, "Defining the Governmental Reporting Entity," the following organizations (component units) are included in this annual report:*

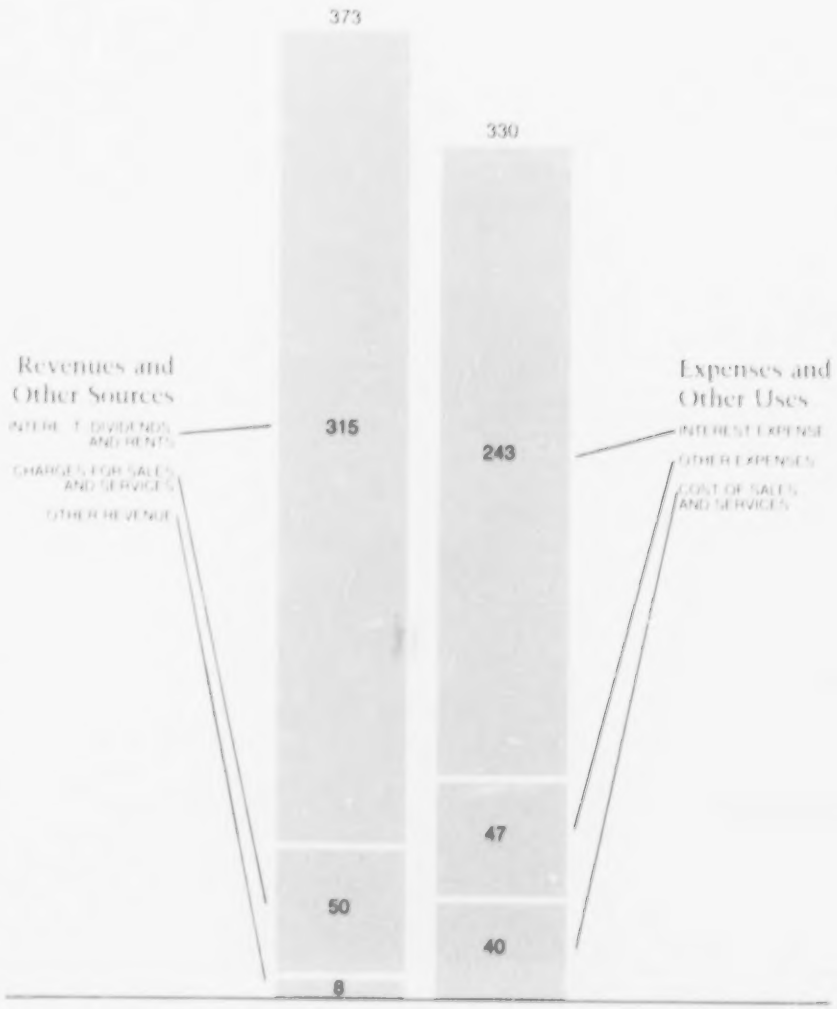
- *Virginia Housing Development Authority (VHDA)*
- *Virginia Education Loan Authority (VELA)*
- *Virginia International Terminals, Inc. (VIT)*
- *Virginia Resources Authority (VRA)*
- *State Education Assistance Authority (SEAA)*

The Virginia Housing Development Authority (VHDA) has the authority to finance housing sold or rented to families with low and moderate incomes. Funds are raised through the sale of tax-exempt notes and bonds.

The Virginia Education Loan Authority (VELA) is designed to assist students pursuing higher education in obtaining loans to attend college.

The Virginia Resources Authority (VRA) is responsible for encouraging the investment of both public and private funds, and making loans and grants available to local governments to finance water and sewer projects.

Enterprise Funds–
Public Benefit Corporations
Revenues and Expenses
Fiscal Year 1986
DOLLARS IN MILLIONS



The Virginia International Terminals, Inc. (VIT) was formed on January 1, 1982, for the purpose of operating marine terminals in Norfolk and Newport News for the Virginia Port Authority. In 1983, VIT was also given the right to operate terminals in Portsmouth.

The State Education Assistance Authority (SEAA) is designed to facilitate the education of Virginia residents.

Analysis

Enterprise Funds–Public Benefit Corporations

At year end, Public Benefit Corporations had total assets of $3.5 billion, comprised primarily of loans and accounts receivable and investments. Revenues for the year totaled $373.3 million while expenses came to $329.8 million, yielding net income of $43.5 million. Net income decreased 23.8% over fiscal year 1985.

Combining Balance Sheet
Enterprise Fund—State and Public Benefit Corporations

June 30, 1986
(Dollars in Thousands)

	Enterprise-State				Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	
Assets					
Cash and Cash Equivalents	$ 652	$ 1,010	$ 318	$ 5	$ 1,985
Petty Cash and Travel Advances	100	1	5	—	106
Loans and Accounts Receivable (Net)	1,171	535	25	6	1,737
Accrued Interest Receivable	—	—	—	—	—
Other Receivables	—	—	—	—	—
Due from Other Funds	130	—	—	—	130
Investments	—	—	—	—	—
Inventory	26,606	684	240	—	27,530
Prepaid Expenses	4	2	—	—	6
Property, Plant, and Equipment (Net)	9,437	793	15	—	10,245
Systems Development Costs (Net)	—	—	—	—	—
Unamortized Bond Issuance Expense	—	—	—	—	—
Total Assets	$ 38,100	$ 3,025	$ 603	$ 11	$ 41,739
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	$ 5,134	$ 217	$ 8	$ 10	$ 5,369
Accrued Interest Payable	—	—	—	—	—
Notes Payable	—	—	—	—	—
Other Liabilities	—	—	5	—	5
Due to Other Funds	16,795	—	—	—	16,395
Loans Payable to the General Fund	7,000	—	—	—	7,000
Deferred Revenue	760	—	—	—	760
Bonds Payable	—	—	—	—	—
Due to Program Participants	—	—	—	—	—
Escrows	—	—	—	—	—
Capital Lease Obligations	768	—	—	—	768
Accrued Liability for Compensated Absences	4,398	80	—	—	4,478
Total Liabilities	34,455	297	13	10	34,775
Fund Equity					
Contributed Capital	—	1,526	—	—	1,526
Retained Earnings (Deficit)	3,645	1,202	590	1	5,438
Total Fund Equity (Deficit)	3,645	2,728	590	1	6,964
Total Liabilities and Fund Equity	$ 38,100	$ 3,025	$ 603	$ 11	$ 41,739

See Notes to the Financial Statements.

Enterprise-Public Benefit Corporations					Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority		June 30, 1986	June 30, 1985
$ 1,277	$ 78,495	$ 1,992	$ 31	$ 4,475	$ 86,270	**$ 88,255**	$ 60,686
—	—	—	—	—	—	**106**	100
1,698,146	382,510	9,790	60,192	4,647	2,155,285	**2,157,022**	1,903,369
31,446	6,124	—	1,039	629	39,238	**39,238**	31,884
1,198	1,652	—	15	—	2,865	**2,865**	2,748
—	—	—	—	—	—	**130**	—
1,071,663	50,134	—	2,260	25,548	1,149,605	**1,149,605**	829,948
4,410	—	1,212	—	—	5,622	**33,152**	34,251
—	90	1,159	6	—	1,255	**1,261**	1,120
3,005	3,913	4,967	24	321	12,230	**22,475**	19,260
—	350	—	—	—	350	**350**	268
2,845	—	—	—	—	2,845	**2,845**	2,313
$ 2,813,990	$ 523,268	$ 19,120	$ 63,567	$ 35,620	$ 3,455,565	**$ 3,497,304**	$ 2,885,947
$ 18,992	$ 557	$ 904	$ 21	$ 107	$ 20,581	**$ 25,950**	$ 32,144
56,201	6,672	—	1,031	—	63,904	**63,904**	52,972
3,873	55,234	—	9	—	59,116	**59,116**	1,989
—	—	3,935	775	317	5,027	**5,032**	3,188
—	—	—	—	—	—	**16,395**	17,907
—	—	—	—	—	—	**7,000**	8,000
8,229	—	—	347	—	8,576	**9,336**	7,835
2,443,611	387,846	—	61,624	—	2,893,081	**2,893,081**	2,402,926
6,653	—	—	—	—	6,653	**6,653**	1,308
41,224	—	—	—	—	41,224	**41,224**	33,147
—	—	—	—	—	—	**768**	698
485	—	667	—	56	1,208	**5,686**	5,105
2,579,268	450,309	5,506	63,807	480	3,099,370	**3,134,145**	2,567,219
—	—	2,228	—	—	2,228	**3,754**	2,956
234,722	72,959	11,386	(240)	35,140	353,967	**359,405**	315,772
234,722	72,959	13,614	(240)	35,140	356,195	**363,159**	318,728
$ 2,813,990	$ 523,268	$ 19,120	$ 63,567	$ 35,620	$ 3,455,565	**$ 3,497,304**	$ 2,885,947

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings Enterprise Funds—State and Public Benefit Corporations

For the Fiscal Year Ended June 30, 1986

(Dollars in Thousands)

	Enterprise-State				Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	
Operating Revenues:					
Interest, Dividends, and Rents	$ —	$ —	$ —	$ —	$ —
Special Allowance Income	—	—	—	—	—
Charges for Sales and Services	255,672	3,692	1,523	67	260,954
Other	—	—	—	—	—
Total Operating Revenues	255,672	3,692	1,523	67	260,954
Operating Expenses:					
Interest Expense	—	—	—	—	—
Cost of Sales and Services	171,639	—	888	—	172,527
Personal Services	35,538	1,586	408	—	37,532
Contractual Services	4,155	94	—	106	4,355
Supplies and Materials	633	2,092	71	—	2,796
Grants and Distributions to Localities	—	61	—	—	61
Expendable Equipment	239	10	7	—	256
Depreciation	1,458	24	4	—	1,486
Amortization	—	—	—	—	—
Rent, Insurance, and Other Related Charges	4,463	52	31	—	4,546
Other	662	—	—	—	662
Total Operating Expenses	218,787	3,919	1,409	106	224,221
Operating Income (Loss)	36,885	(227)	114	(39)	36,733
Nonoperating Revenues (Expenses):					
Net Gain (Loss) on Sale of Investments	—	—	—	—	—
Interest, Dividends, and Rents	(699)	—	10	—	(689)
Gain (Loss) on Sale of Fixed Assets	(10)	—	—	—	(10)
Grants and Shared Revenues	—	168	—	—	168
Other	181	—	13	—	194
Total Nonoperating Revenues (Expenses)	(528)	168	23	—	(337)
Transfers:					
Operating (Net)	736	—	—	—	736
ABC Profit	(29,738)	—	—	—	(29,738)
Appropriations Act	(6,696)	—	—	—	(6,696)
Total Transfers	(35,698)	—	—	—	(35,698)
Income (Loss) From Operations	659	(59)	137	(39)	698
Cumulative Effect—Leases	—	—	—	—	—
Income (Loss) Before Extraordinary Items	659	(59)	137	(39)	698
Loss on Condemnation of Real Estate	—	—	—	—	—
Net Income (Loss)	659	(59)	137	(39)	698
Retained Earnings, July 1, as adjusted	2,986	1,261	453	40	4,740
Retained Earnings, June 30	$ 3,645	$ 1,202	$ 590	$ 1	$ 5,438

See Notes to the Financial Statements.

Enterprise-Public Benefit Corporations					Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority		June 30, 1986	June 30, 1985
$ 244,252	$ 41,561	$ —	$ 4,009	$ 25,069	$ 314,891	**$ 314,891**	$ 273,380
—	7,837	—	—	—	7,837	**7,837**	11,471
3,007	—	47,087	—	—	50,094	**311,048**	295,856
400	105	—	—	—	505	**505**	364
247,659	49,503	47,087	4,009	25,069	373,327	**634,281**	581,071
200,354	38,306	—	3,927	—	242,587	**242,587**	203,862
6,261	—	34,124	—	—	40,385	**212,912**	196,924
5,105	2,078	8,171	90	634	16,078	**53,610**	49,408
—	—	2,396	39	877	3,312	**7,667**	7,056
—	—	897	—	26	923	**3,719**	4,084
—	—	—	—	—	—	**61**	84
—	—	100	—	52	152	**408**	373
172	136	1,057	6	—	1,371	**2,857**	2,757
—	93	—	—	—	93	**93**	66
—	—	—	—	18,789	18,789	**23,335**	21,833
1,414	2,489	2,149	59	—	6,111	**6,773**	3,690
213,306	43,102	48,894	4,121	20,378	329,801	**554,022**	490,137
34,353	6,401	(1,807)	(112)	4,691	43,526	**80,259**	90,934
—	—	—	—	—	—	—	44
—	—	—	—	—	—	**(689)**	(1,622)
—	—	—	—	—	—	**(10)**	27
—	—	—	—	—	—	**168**	249
—	—	—	—	—	—	**194**	362
—	—	—	—	—	—	**(337)**	(940)
—	—	—	—	—	—	**736**	674
—	—	—	—	—	—	**(29,738)**	(25,831)
—	—	—	—	—	—	**(6,696)**	(6,480)
—	—	—	—	—	—	**(35,698)**	(31,637)
34,353	6,401	(1,807)	(112)	4,691	43,526	**44,224**	58,357
—	—	—	—	—	—	—	(159)
34,353	6,401	(1,807)	(112)	4,691	43,526	**44,224**	58,198
—	—	—	—	—	—	—	(164)
34,353	6,401	(1,807)	(112)	4,691	43,526	**44,224**	58,034
200,369	66,558	13,193	(128)	30,449	310,441	**315,181**	257,738
$ 234,722	$ 72,959	$ 11,386	$ (240)	$ 35,140	$ 353,967	**$ 359,405**	$ 315,772

Combining Statement of Changes in Financial Position
Enterprise Funds—State and Public Benefit Corporations

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Enterprise–State				Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	
Sources of Working Capital:					
Operations:					
Income Before Extraordinary Item	$ 659	$ (59)	$ 137	$ (39)	$ 698
Items Not Requiring Working Capital:					
Depreciation	1,458	24	4	—	1,486
Amortization	—	—	—	—	—
Loss (Gain) on Sale of Fixed Assets	10	—	—	—	10
Compensated Absences	17	3	—	—	20
Working Capital Provided by Income Before Extraordinary Item	2,144	(32)	141	(39)	2,214
Loss from Extraordinary Item	—	—	—	—	—
Items Not Requiring Working Capital:					
Loss on Condemnation of Real Estate	—	—	—	—	—
Total Working Capital Provided by Operations	2,144	(32)	141	(39)	2,214
Sale of Fixed Assets	27	—	—	—	27
Increase in Capital Appropriated	—	798	—	—	798
Increase in Long-Term Debt Payable	70	—	—	—	70
Decrease in Bond Issuance Expense	—	—	—	—	—
Increase in Retained Earnings					
Due to Prior Period Adjustment	112	—	14	—	126
Total Sources of Working Capital	2,353	766	155	(39)	3,235
Uses of Working Capital:					
Acquisition of Property, Plant, and Equipment	1,243	152	14	—	1,409
Increase in Bond Issuance Expense	—	—	—	—	—
Increase in Systems Development Costs	—	—	—	—	—
Increase in Long-Term Investments	—	—	—	—	—
Reduction in Long-Term Debt Payable	1,000	—	—	—	1,000
Decrease in Capital Appropriated	—	—	—	—	—
Reduction in Retained Earnings Due to Prior Period Adjustment	—	717	—	—	717
Total Uses of Working Capital	2,243	869	14	—	3,126
Net Increase (Decrease) in Working Capital	$ 110	$ (103)	$ 141	$ (39)	$ 109
Elements of Net Increase (Decrease) in Working Capital:					
Cash and Cash Equivalents	$ (1,668)	$ (132)	$ 88	$ (45)	$ (1,757)
Receivables	(182)	143	(3)	6	(36)
Securities	—	—	—	—	—
Inventories	(1,098)	(43)	60	—	(1,081)
Prepaid Expenses	(1)	1	—	—	—
Payables, Deposits, and Other Liabilities	3,111	(72)	(4)	—	3,035
Deferred Revenue	(182)	—	—	—	(182)
Due to Program Participants	—	—	—	—	—
Escrows	—	—	—	—	—
Due from Other Funds	130	—	—	—	130
Net Increase (Decrease) in Working Capital	$ 110	$ (103)	$ 141	$ (39)	$ 109

See Notes to the Financial Statements

Enterprise–Public Benefit Corporations					Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority		Year Ended June 30, 1986	June 30, 1985
$ 44,353	$ 6,401	$ (1,807)	$ (112)	$ 4,691	$ 43,526	$ 44,224	$ 58,198
172	136	1,057	6		1,371	2,857	2,757
	93				93	93	66
						10	(4)
485		68		8	561	581	103
35,010	6,630	(682)	(106)	4,699	45,551	47,765	61,122
						—	(164)
						—	164
35,010	6,630	(682)	(106)	4,699	45,551	47,765	61,122
		4			4	31	130
						798	
466,480	19,680		61,622		547,782	547,852	375,966
			73		73	73	
						126	
501,490	26,310	(678)	61,589	4,699	593,410	596,645	437,218
1,903	1,724	1,062	3	13	4,706	6,115	4,187
605	176				781	781	433
						—	157
				9,454	9,454	9,454	843
						1,000	19,552
						—	61
						717	
2,508	1,900	1,062	3	9,468	14,941	18,067	25,233
$ 498,982	$ 24,410	$ (1,740)	$ 61,586	$ (4,769)	$ 578,469	$ 578,578	$ 411,985
$ 233	$ 33,445	$ (2,661)	$ 29	$ (1,714)	$ 29,432	$ 27,575	$ (4,318)
183,964	11,530	1,425	61,245	2,993	261,157	261,121	310,400
334,126	(20,022)		2,189	(6,090)	310,203	310,203	130,446
(49)		31			(18)	(1,099)	607
		135	6		141	141	111
(4,898)	(543)	(670)	(1,536)	42	(7,605)	(1,570)	(18,260)
(972)	—		(347)		(1,319)	(1,501)	(338)
(5,345)					(5,345)	(5,345)	729
(8,077)	—				(8,077)	(8,077)	(7,075)
						130	
$ 498,982	$ 24,410	$ (1,740)	$ 61,586	$ (4,769)	$ 578,469	$ 578,578	$ 411,985

Berkeley

Berkeley has the distinction shared only with the Adams house in Massachusetts of being the ancestral home of two American presidents: the birthplace of William Henry Harrison, the ninth president, and the ancestral home of his grandson, Ohio-born Benjamin Harrison, the twenty-third president.

Sited on the banks of the James River in Charles City County, the brick early Georgian mansion was built by Benjamin Harrison IV, grandfather of William Henry Harrison, and inherited by Benjamin Harrison V, a signer of the Declaration of Independence and thrice governor of Virginia.

William Henry Harrison was born at Berkeley on February 9, 1773. Although Harrison inherited land when his father died, the necessity to earn money to pay off his debts forced him to accept a commission in the army to serve at outposts in the Northwest Territory. In 1800, he was appointed the first governor of the Indiana Territory. Several victories in the Indian Wars brought national fame to General Harrison, and he was elected president in 1840. Remembering his Virginia roots, he returned to Berkeley to write his inaugural address in the room where he had been born. Harrison died shortly after his inauguration, and his Charles City County neighbor, Vice President John Tyler was elevated to the presidency.

In summer 1862, during the Peninsular Campaign, Berkeley, then known as Harrison's Landing, was the headquarters for Union General George B. McClellan. More than 100,000 Union troops were encamped on the grounds, and gunboats were anchored in the James. The military scene served to inspire General Daniel Butterfield who composed "Taps" that summer.

In 1907, John Jamieson bought Berkeley, and his son and daughter-in-law continue the long-term restoration. The house and grounds are open to the public.

Internal Service Funds

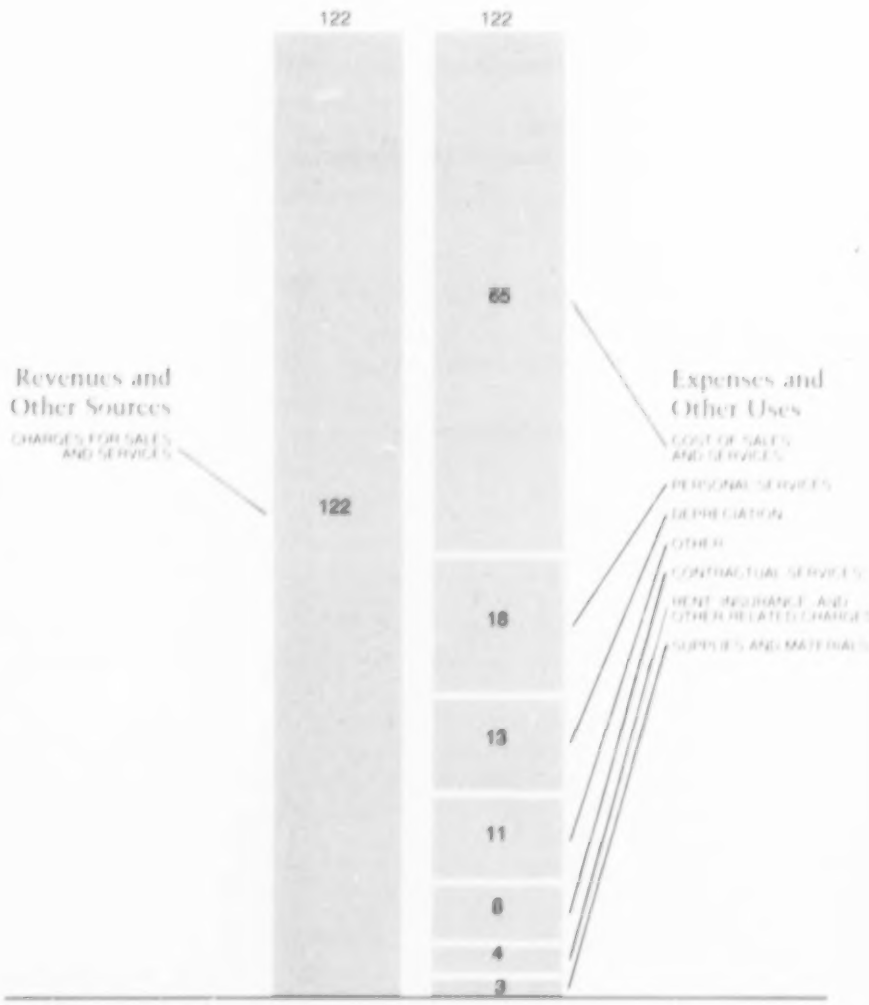
Internal Service Funds are maintained to account for the operations of State agencies which render services to other State agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis. The following are the Internal Service Funds activities of the Commonwealth and their functions:

- ***Department of Information Technology—to account for the installation and maintenance of the State government's telephone system; the development, use, and maintenance of the Commonwealth's data processing systems; and the development of automated systems.***
- ***Bureau of Industrial Enterprises—to account for the manufacturing activities of the State's correctional facilities.***
- ***Central Garage—to account for the Commonwealth's motor vehicle pool.***
- ***State Surplus Property—to account for the transfer and sale of State-owned surplus property.***
- ***Federal Surplus Property—to account for the transfer and sale of the federally-owned surplus property.***
- ***Maintenance and Repair—to account for services outside the scope of normal maintenance or custodial services provided to other agencies by the Bureau of Buildings and Grounds.***
- ***Central Warehouse—to account for supplies purchased for and used by State agencies.***
- ***Office of Graphic Communications—to account for the Commonwealth's graphic design division.***

Analysis

During 1986, Internal Service Funds received $121.7 million in operating revenues, which represented an increase of 7.2% over 1985, and had operating expenses of $117.5 million, which represented an increase of 5.9% over 1985. Income before operating transfers of $2.5 million represented an increase of $1.4 million in 1986, as compared to 1985.

Internal Service Funds
Revenues and Expenses
Fiscal Year 1986
DOLLARS IN MILLIONS



Combining Balance Sheet
Internal Service Funds

June 30, 1986
(Dollars in Thousands)

	Information Technology	Industrial Enterprises
Assets		
Cash and Cash Equivalents	$ 678	$ 1,458
Petty Cash and Travel Advances	27	3
Loans and Accounts Receivable (Net)	7,117	1,964
Other Receivables	—	55
Inventory	473	7,673
Prepaid Expenses	191	2
Property, Plant, and Equipment (Net)	22,460	6,204
Total Assets	$ 30,946	$ 17,359
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	$ 3,813	$ 632
Notes Payable	17,910	—
Other Liabilities	—	—
Due to Other Funds	4,150	—
Loans Payable to the General Fund	1,840	—
Deferred Revenue	50	30
Capital Lease Obligations	767	—
Accrued Liability for Compensated Absences	1,330	358
Total Liabilities	29,860	1,020
Fund Equity		
Contributed Capital	—	5,676
Retained Earnings	1,086	10,663
Total Fund Equity	1,086	16,339
Total Liabilities and Fund Equity	$ 30,946	$ 17,359

See Notes to the Financial Statements.

Central Garage	State Surplus Property	Federal Surplus Property	Maintenance and Repair	Central Warehouse	Office of Graphic Communications	Totals June 30, 1986	June 30, 1985
$ 2,435	$ 63	$ 121	$ 179	$ —	$ 96	$ 5,030	$ 4,034
—	—	—	—	—	—	30	28
1,184	—	60	170	1,387	13	11,895	10,429
—	—	—	—	—	—	55	6
—	—	—	—	3,032	—	11,178	10,921
—	—	—	—	—	—	193	490
11,105	126	626	—	1,146	4	41,671	35,024
$ 14,724	$ 189	$ 807	$ 349	$ 5,565	$ 113	$ 70,052	$ 60,932
$ 273	$ 4	$ 5	$ 120	$ 410	$ 1	$ 5,262	$ 4,735
—	—	—	—	—	—	17,910	13,106
—	—	—	63	1,053	—	1,116	2,271
—	—	—	—	—	—	4,150	—
—	—	—	—	2,600	60	4,500	4,938
—	—	—	—	—	—	80	117
—	—	—	—	—	—	767	1,147
46	16	42	—	72	8	1,872	1,637
319	20	47	183	4,135	71	35,657	27,946
—	1	19	—	—	—	5,696	3,880
14,405	168	741	166	1,430	40	28,699	29,106
14,405	169	760	166	1,430	40	34,395	32,986
$ 14,724	$ 189	$ 807	$ 349	$ 5,565	$ 113	$ 70,052	$ 60,932

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings Internal Service Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Information Technology	Industrial Enterprises
Operating Revenues:		
Charges for Sales and Services	$ 69,271	$ 16,030
Total Operating Revenues	69,271	16,030
Operating Expenses:		
Cost of Sales and Services	31,075	10,729
Personal Services	13,495	1,976
Contractual Services	4,495	395
Supplies and Materials	785	165
Grants	10	4
Expendable Equipment	787	32
Depreciation	9,083	794
Rent, Insurance, and Other Related Charges	2,505	406
Other	5,580	—
Total Operating Expenses	67,815	14,500
Operating Income (Loss)	1,456	1,530
Nonoperating Revenues (Expenses):		
Interest, Dividends, and Rents	(1,701)	—
Discounts	—	—
Gain (Loss) on Sale of Fixed Assets	(20)	(15)
Other	—	25
Total Nonoperating Revenues (Expenses)	(1,721)	10
Transfers:		
Operating (Net)	—	(863)
Appropriations Act	(181)	—
Total Transfers	(181)	(863)
Net Income (Loss)	(446)	677
Retained Earnings, July 1, as adjusted	1,532	9,986
Retained Earnings, June 30	$ 1,086	$ 10,663

See Notes to the Financial Statements

Central Garage	State Surplus Property	Federal Surplus Property	Maintenance and Repair	Central Warehouse	Office of Graphic Communications	Totals Year Ended June 30, 1986	Totals Year Ended June 30, 1985
$ 7,993	$ 335	$ 480	$ 3,219	$ 24,140	$ 255	$ 121,723	$ 113,595
7,993	335	480	3,219	24,140	255	121,723	113,595
—	—	—	—	22,822	—	64,626	63,902
520	153	428	—	814	127	17,513	17,471
1,565	97	57	1,481	258	104	8,452	6,709
1,802	17	34	505	97	8	3,413	3,490
—	—	—	—	7	—	21	17
41	43	—	5	20	7	935	606
2,444	27	22	—	121	1	12,491	9,735
206	39	40	949	83	7	4,235	6,638
—	—	—	246	—	—	5,826	2,449
6,578	376	581	3,186	24,222	254	117,512	111,017
1,415	(41)	(101)	33	(82)	1	4,211	2,578
—	—	—	—	2	—	(1,699)	(1,337)
—	—	—	—	133	—	133	97
(158)	—	—	—	(1)	—	(194)	(285)
—	3	30	—	18	3	79	47
(158)	3	30	—	152	3	(1,681)	(1,478)
—	—	—	—	—	—	(863)	(775)
(1,547)	—	—	—	(32)	—	(1,760)	(2,434)
(1,547)	—	—	—	(32)	—	(2,623)	(3,209)
(290)	(38)	(71)	33	38	4	(93)	(2,109)
14,695	206	812	133	1,392	36	28,792	31,215
$ 14,405	$ 168	$ 741	$ 166	$ 1,430	$ 40	$ 28,699	$ 29,106

Combining Statement of Changes in Financial Position
Internal Service Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Information Technology	Industrial Enterprises	Central Garage	State Surplus Property
Sources of Working Capital:				
Operations:				
Net Income (Loss)	$ (446)	$ 677	$ (290)	$ (38)
Items Not Requiring Working Capital:				
Depreciation	9,083	793	2,444	27
Loss (Gain) on Sale of Fixed Assets	20	15	158	—
Compensated Absences	209	24	(4)	3
Working Capital Provided by Operations	8,866	1,509	2,308	(8)
Sale of Fixed Assets	189	—	—	—
Increase in Capital Appropriated	—	1,796	—	1
Increase in Long-Term Debt Payable	14,119	—	—	—
Increase in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—
Total Sources (Uses) of Working Capital	23,174	3,305	2,308	(7)
Uses of Working Capital:				
Acquisition of Property, Plant, and Equipment	16,529	2,212	757	50
Reduction in Long-Term Debt Payable	9,349	—	—	—
Reduction in Retained Earnings Due to Prior-Period Adjustment	—	226	—	—
Reduction in Capital Leases	375	—	—	—
Total Uses of Working Capital	26,253	2,438	757	50
Net Increase (Decrease) in Working Capital	$ (3,079)	$ 867	$ 1,551	$ (57)
Elements of Net Increase (Decrease) in Working Capital:				
Cash and Cash Equivalents	$ (656)	$ 416	$ 1,524	$ (61)
Receivables	864	371	55	—
Inventories	(51)	(467)	—	—
Prepaid Expenses	(297)	—	—	—
Payables, Deposits, and Other Liabilities	(2,889)	463	(28)	4
Deferred Revenue	(50)	84	—	—
Net Increase (Decrease) in Working Capital	$ (3,079)	$ 867	$ 1,551	$ (57)

See Notes to the Financial Statements.

Federal Surplus Property	Maintenance and Repair	Central Warehouse	Office of Graphic Communications	Totals Year Ended June 30, 1986	Totals Year Ended June 30, 1985
$ (71)	$ 33	$ 38	$ 4	$ (93)	$ (2,109)
22	—	121	1	12,491	9,735
—	—	1	—	194	285
(5)	—	9	—	236	251
(54)	33	169	5	12,828	8,162
65	—	—	—	254	220
19	—	—	—	1,816	49
—	—	—	—	14,119	12,545
—	—	—	—	—	5
30	33	169	5	29,017	20,981
—	—	38	1	19,587	20,463
—	—	200	8	9,557	10,949
83	6	—	—	315	—
—	—	—	—	375	—
83	6	238	9	29,834	31,412
$ (53)	$ 27	$ (69)	$ (4)	$ (817)	$ (10,431)
$ (31)	$ (107)	$ (98)	$ 9	$ 996	$ (8,972)
(25)	(149)	415	(16)	1,515	2,001
—	—	774	—	256	1,308
—	—	—	—	(297)	317
3	283	(1,160)	—	(3,324)	(5,726)
—	—	—	3	37	641
$ (53)	$ 27	$ (69)	$ (4)	$ (817)	$ (10,431)

Trust and Agency Funds

Trust and Agency Funds are maintained to account for assets held by the Commonwealth in the capacity of a trustee or agent. These funds include pension trusts, nonexpendable trusts, numerous expendable fiduciary funds, and agency funds.

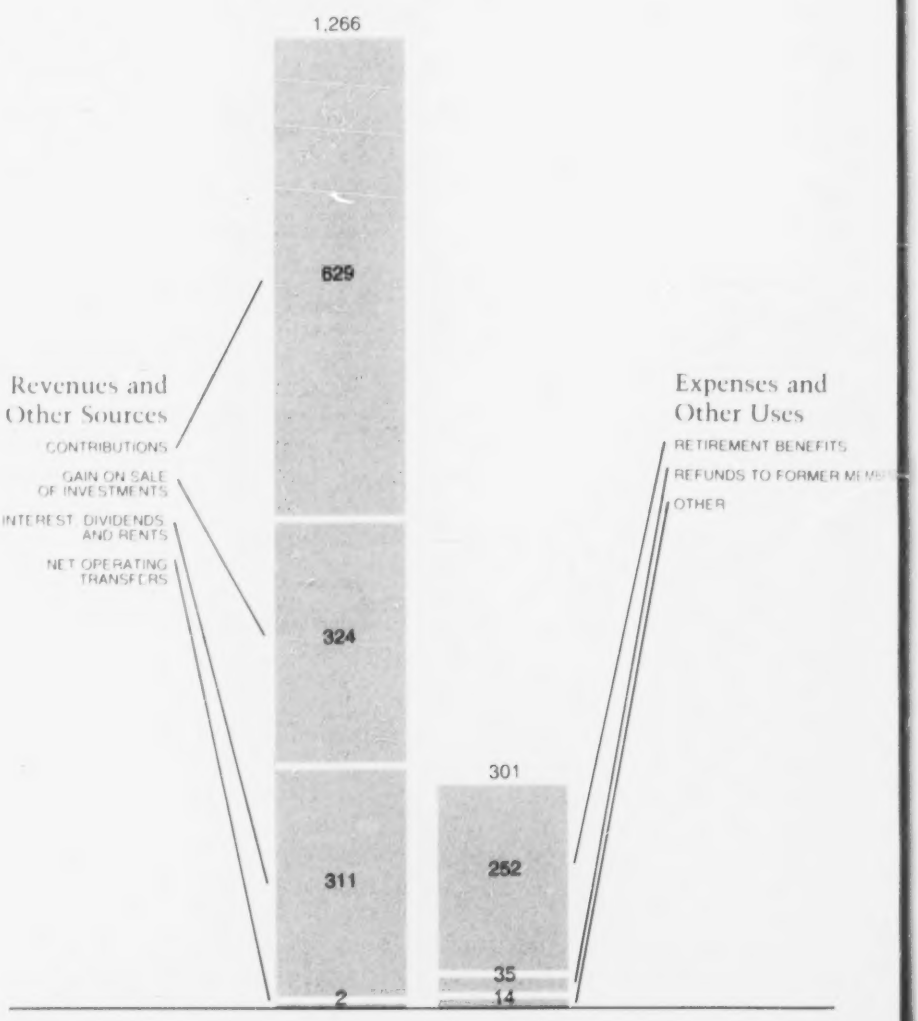
Pension Trust Funds reflect the activities of the retirement systems administered by the Virginia Supplemental Retirement System (VSRS) for the Commonwealth. Employees participate in one of three contributory retirement systems. The Virginia Supplemental Retirement System provides retirement benefits to Commonwealth employees and teachers. The State Police Officers' Retirement System provides retirement benefits to Virginia State police officers, and the Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary. The Pooled Assets Account accounts for all investment activities of the VSRS. The Administration Fund reflects transactions related to the administration and trust fund management activities of the VSRS.

Nonexpendable Trust Funds are those whose principal must be preserved intact. The following are the nonexpendable trusts, the agencies which administer them, and the purpose of those trusts:

- *Virginia Museum Nonexpendable Trusts (Virginia Museum of Fine Arts)—supports the expendable trusts at the Virginia Museum by transferring investment income to these trusts.*
- *The Canteen Fund and Inmate and Ward Trust Fund (Department of Corrections)—operates the canteens or commissaries at correctional institutions, and operates a savings deposit account for inmates.*

Expendable Trust Funds are those whose principal and income may be expended in the course of their designated operations. The numerous expendable trust activities of the Commonwealth are either reported as Treasury Administered Trust Funds or Local Agency Administered Trust Funds. These funds include various trusts, such as those for educational programs at museums, funds for unemployment compensation, funds for low interest loans to local school divisions for school construction and renovation, funds established to pay judgments against persons licensed by the State Board of Contractors and the Virginia Real Estate Commission, and funds that account for assets held by the Department for the Visually Handicapped and the Virginia Rehabilitation Center for the Blind in a trustee capacity.

Pension Trust Funds
Revenues and Expenses
Fiscal Year 1986
(DOLLARS IN MILLIONS)



Agency Funds report those funds for which the State acts solely in a custodial capacity. Agency Funds include the following:

- *Funds for the Collection of Taxes and Fees—account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.*
- *Legal Settlement Fund—an escrow account into which receipts from court judgments are deposited and subsequently distributed to the appropriate injured parties.*
- *Employee Benefits Fund—accounts for undistributed withholdings for employee benefits and withholdings under the Deferred Compensation Plan.*
- *Mined Land Deposits Fund—accounts for reimbursable deposits, including both cash and securities, from mining companies to ensure reclamation of mined lands.*
- *Deposits of Insurance Carriers Fund—accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.*
- *Local Government Investment Pool Fund—accounts for investments held by the Commonwealth on behalf of local governments.*
- *Insurance Funds—account for the assets of various insurance programs of the Commonwealth.*
- *Federal Aviation Fund—accounts for Federal monies received by the Commonwealth to reimburse localities for the expansion and improvement of the airport system.*
- *Support Enforcement Fund—accounts for the Aid to Dependent Children Program.*

Analysis

Pension Trust operating revenues increased 9.0%, while operating expenses increased 12.9% over the prior year. The revenue increase resulted from an increase in retirement system member contributions for the year. Nonoperating revenues from interest, dividends, and rents, and gains on sale of investments increased 58.3% over the prior year, primarily due to an increase in net gain on investments sold. The result of these activities was net income of $965 million in 1986.

Combining Balance Sheet
All Trust and Agency Funds

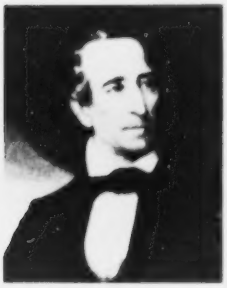
June 30, 1986
(Dollars in Thousands)

	Pension Trust Funds					
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Account	Administration Fund	Total Pension Trust Funds
Assets						
Cash and Cash Equivalents	$ 50	$ —	$ —	$ 20	$ 2,098	$ 2,168
Cash and Investments with Trustees	—	—	—	—	—	—
Petty Cash and Travel Advances	—	—	—	—	—	—
Loans and Accounts Receivable (Net)	34,386	—	1	—	—	34,387
Accrued Interest Receivable	—	—	—	57,340	—	57,340
Other Receivables	7,708	141	79	282	5	8,215
Investments						
Bonds	—	—	—	1,612,826	—	1,612,826
Stocks	—	—	—	2,429,725	—	2,429,725
Short-Term Securities	—	—	—	755,967	—	755,967
Other Securities	—	—	—	—	—	—
Real Estate	—	—	—	273,830	—	273,830
Inventory	—	—	—	—	—	—
Other Assets	—	—	—	—	—	—
Property, Plant, and Equipment (Net)	—	—	—	—	840	840
Equity Distribution From Pooled Assets	4,966,405	68,454	40,643	(5,075,502)	—	—
Total Assets	$ 5,008,549	$ 68,595	$ 40,723	$ 54,488	$ 2,943	$ 5,175,298
Liabilities and Fund Equity						
Liabilities						
Accounts Payable	$ —	$ —	$ —	$ —	$ 2,268	$ 2,268
Amounts Due to Localities	—	—	—	—	—	—
Deposits Pending Distribution	—	—	—	—	—	—
Other Liabilities	7,598	141	79	2,049	448	10,315
Deferred Revenue	—	—	—	—	—	—
Retirement Refunds Payable	2,535	8	—	—	—	2,543
Retirement Benefits Payable	20,222	209	459	—	—	20,890
Due to Providers	—	—	—	—	—	—
Employee Benefits Payable	—	—	—	—	—	—
Accrued Liability for Compensated Absences	—	—	—	—	246	246
Due to Other States	—	—	—	—	—	—
Total Liabilities	30,355	358	538	2,049	2,962	36,262
Fund Equity						
Fund Balance						
Reserved for Pension Benefits	4,978,194	68,237	40,185	52,439	(19)	5,139,036
Reserved for VPSA Loans Receivable	—	—	—	—	—	—
Unreserved, Designated	—	—	—	—	—	—
Total Fund Equity	4,978,194	68,237	40,185	52,439	(19)	5,139,036
Total Liabilities and Fund Equity	$ 5,008,549	$ 68,595	$ 40,723	$ 54,488	$ 2,943	$ 5,175,298

See Notes to the Financial Statements.

Nonexpendable Trust Funds			Expendable Trust Funds			Agency Funds	Totals	
Virginia Museum of Fine Arts	Department of Corrections	Total Nonexpendable Trust Funds	Treasury Administered Trust Funds	Local Agency Administered Trust Funds	Total Expendable Trust Funds		June 30, 1986	June 30, 1985
$ 95	$ 1,300	$ 1,395	$ 316,577	$ 81,875	$ 398,452	$ 199,149	**$ 601,164**	$ 481,539
—	—	—	—	494,700	494,700	—	**494,700**	376,474
—	—	—	—	13	13	—	**13**	5
—	375	375	257,706	10,507	268,213	32,138	**335,113**	261,206
—	—	—	—	11,759	11,759	—	**69,099**	53,431
—	30	30	—	35	35	—	**8,280**	13,445
90	—	90	—	177,837	177,837	—	**1,790,753**	1,531,183
1,524	—	1,524	—	496	496	—	**2,431,745**	2,096,669
—	543	543	—	1,194	1,194	—	**757,704**	309,757
—	—	—	—	54,329	54,329	124,696	**179,025**	167,214
—	—	—	—	—	—	—	**273,830**	226,657
—	398	398	—	16	16	—	**414**	388
—	—	—	—	9	9	—	**9**	26
—	22	22	—	—	—	—	**862**	786
—	—	—	—	—	—	—	—	—
$ 1,709	$ 2,668	$ 4,377	$ 574,283	$ 832,770	$ 1,407,053	$ 355,983	**$ 6,942,711**	$ 5,618,760
$ 10	$ 316	$ 326	$ —	$ 11,654	$ 11,654	$ —	**$ 14,248**	$ 13,959
—	—	—	—	—	—	143,218	**143,218**	59,221
—	—	—	—	1,005	1,005	7,652	**8,657**	6,355
—	127	127	—	852	852	—	**11,294**	9,446
—	—	—	—	1,802	1,802	—	**1,802**	9,668
—	—	—	—	—	—	—	**2,543**	2,249
—	—	—	—	—	—	—	**20,890**	18,819
—	—	—	—	—	—	133,101	**133,101**	125,840
—	—	—	—	—	—	70,862	**70,862**	70,525
—	—	—	—	38	38	—	**284**	210
—	—	—	—	—	—	1,150	**1,150**	164
10	443	453	—	15,351	15,351	355,983	**408,049**	316,456
—	—	—	—	—	—	—	**5,139,036**	4,173,520
—	—	—	257,706	—	257,706	—	**257,706**	210,961
1,699	2,225	3,924	316,577	817,419	1,133,996	—	**1,137,920**	917,823
1,699	2,225	3,924	574,283	817,419	1,391,702	—	**6,534,662**	5,302,304
$ 1,709	$ 2,668	$ 4,377	$ 574,283	$ 832,770	$ 1,407,053	$ 355,983	**$ 6,942,711**	$ 5,618,760

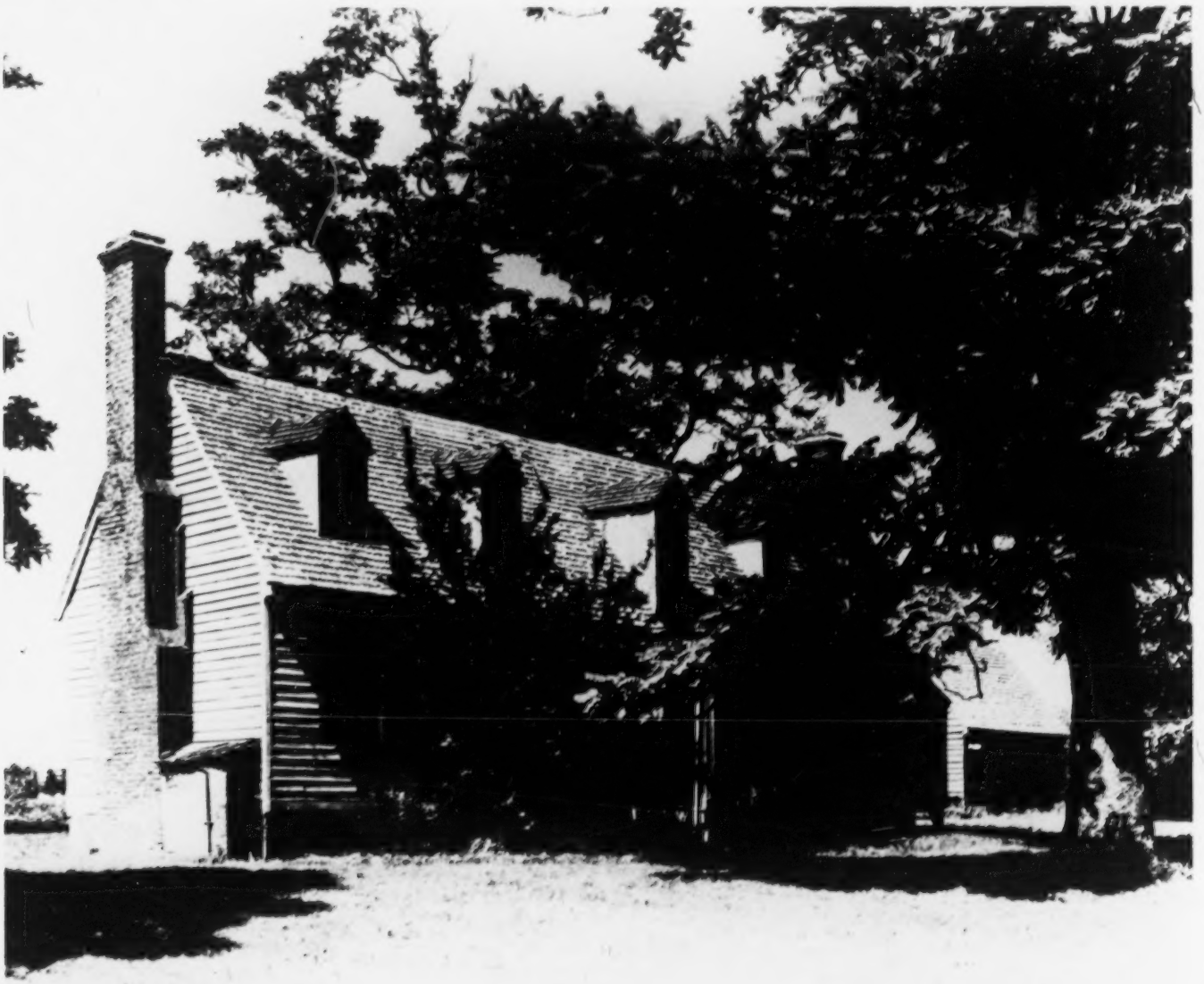
Greenway



Charles City County is the only jurisdiction in America that can boast the birthplaces of a president and vice president elected at the same time. William Henry Harrison, the ninth president, was born at Berkeley in 1773, and John Tyler, his vice president and the tenth president, was born at Greenway in 1790. The two estates are separated by only a few miles. Harrison had been president for only one month when he died on April 4, 1841, elevating Tyler to serve out the remainder of the term.

Greenway was built for John Tyler, Sr., father of the president and, himself, governor of Virginia (1808-11). The modest one-and-one-half-story frame house, which may date to 1776-77, has brick end chimneys and five dormers across the front. A rear wing originally built as a covered passageway to an office was later enclosed, creating its present T-shaped plan. Greenway is notable in that most of its late-Georgian interior woodwork survives, and, as such, offers an unusually complete look at the house and life-style of a moderately-wealthy planter's family.

The elder Tyler reared his large family of eight children at Greenway, including John Tyler, Jr., who lived at the estate until his marriage to Letitia Christian in 1813. John Tyler Jr. later purchased Greenway and lived there from time to time as governor of Virginia from 1825-27. He sold the place in 1829 while a member of the United States Senate. The house and grounds are privately owned and not open to the public.



Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Expendable Trust Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Treasury Administered Trust Funds	Local Agency Administered Trust Funds	Totals Year Ended June 30, 1986	Totals Year Ended June 30, 1985
Revenues:				
Taxes	$ —	$ 213,450	**$ 213,450**	$ 272,532
Rights and Privileges	16,353	14,970	**31,323**	18,273
Sales of Property and Commodities	9,600	—	**9,600**	8,000
Assessments and Receipts for Support of Special Services	—	386	**386**	743
Institutional Revenue	—	892	**892**	976
Interest, Dividends, and Rents	29,030	51,079	**80,109**	74,124
Fines, Forfeitures, Court Fees, Penalties, and Escheats	23,037	170	**23,207**	15,693
Federal Grants and Contracts	—	53,239	**53,239**	—
Private Donations, Gifts, and Contracts	—	37	**37**	97
Contributions	12,699	103,097	**115,796**	74,300
Receipts from Trustees	—	—	**—**	5,375
Other	33	7,936	**7,969**	6,396
Total Revenues	90,752	445,256	**536,008**	476,509
Expenditures:				
General Government	—	63,194	**63,194**	53,178
Education	1,364	1,849	**3,213**	2,443
Transportation	6,995	25,237	**32,232**	12,818
Resources and Economic Development	—	2,351	**2,351**	2,706
Individual and Family Services	—	145,739	**145,739**	138,635
Total Expenditures	8,359	238,370	**246,729**	209,780
Revenues Over (Under) Expenditures	82,393	206,886	**289,279**	266,729
Other Financing Sources (Uses):				
Transfers:				
Operating (Net)	(61,454)	(1,881)	**(63,335)**	(41,240)
Appropriations Act	—	(144)	**(144)**	(36)
Proceeds from Sale of Bonds	41,820	—	**41,820**	—
Proceeds from Capital Leases	—	—	**—**	879
Total Other Financing Sources (Uses)	(19,634)	(2,025)	**(21,659)**	(40,397)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	62,759	204,861	**267,620**	226,332
Fund Balance, July 1, as adjusted	511,524	612,558	**1,124,082**	898,855
Fund Balance, June 30	$ 574,283	$ 817,419	**$1,391,702**	$1,125,187

See Notes to the Financial Statements.

Combining Statement of Revenues, Expenses, and Changes in Fund Balances Pension Trust and Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Pension Trust Funds				
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Account	Administration Fund
Operating Revenues:					
Charges for Sales and Services	$ —	$ —	$ —	$ —	$ —
Contributions	616,117	5,461	6,920	—	—
Other	—	—	—	270	70
Total Operating Revenues	616,117	5,461	6,920	270	70
Operating Expenses:					
Cost of Sales and Services	—	—	—	—	—
Retirement Benefits	243,586	2,469	5,387	—	—
Refunds to Former Members	34,911	252	—	—	—
Personal Services	—	—	—	—	3,265
Contractual Services	—	—	—	—	10,053
Supplies and Materials	—	—	—	—	84
Expendable Equipment	—	—	—	—	6
Depreciation	—	—	—	—	127
Rent, Insurance, and Other Related Charges	—	—	—	—	590
Other	47	—	—	—	13
Total Operating Expenses	278,544	2,721	5,387	—	14,138
Operating Income (Loss)	337,573	2,740	1,533	270	(14,068)
Nonoperating Revenues (Expenses):					
Net Gain (Loss) on Sale of Investments	—	—	—	324,300	—
Interest, Dividends, and Rents	5	—	—	311,075	—
Other	—	—	—	—	—
Total Nonoperating Revenues (Expenses)	5	—	—	635,375	—
Transfers:					
Operating (Net)	603,420	8,507	5,029	(628,709)	13,807
Appropriations Act	—	—	—	—	(35)
Total Transfers	603,420	8,507	5,029	(628,709)	13,772
Net Income (Loss)	940,998	11,247	6,562	6,936	(296)
Fund Balance, July 1, as adjusted	4,037,196	56,990	33,623	45,503	277
Fund Balance (Deficit), June 30	$ 4,978,194	$ 68,237	$ 40,185	$ 52,439	$ (19)

See Notes to the Financial Statements.

Total Pension Trust Funds	Nonexpendable Trust Funds: Virginia Museum of Fine Arts	Nonexpendable Trust Funds: Department of Corrections	Total Nonexpendable Trust Funds	Totals: Year Ended June 30, 1986	Totals: Year Ended June 30, 1985
$ —	$ —	$ 4,853	$ 4,853	**$ 4,853**	$ 4,438
628,498	—	—	—	**628,498**	576,402
340	—	8,503	8,503	**8,843**	8,763
628,838	—	13,356	13,356	**642,194**	589,603
—	—	4,189	4,189	**4,189**	3,843
251,442	—	—	—	**251,442**	221,176
35,163	—	—	—	**35,163**	34,345
3,265	—	—	—	**3,265**	2,860
10,053	—	—	—	**10,053**	6,912
84	—	—	—	**84**	74
6	—	—	—	**6**	160
127	—	3	3	**130**	95
590	—	—	—	**590**	679
60	—	8,683	8,683	**8,743**	8,509
300,790	—	12,875	12,875	**313,665**	278,653
328,048	—	481	481	**328,529**	310,950
324,300	74	—	74	**324,374**	136,520
311,080	—	101	101	**311,181**	265,028
—	—	(329)	(329)	**(329)**	(188)
635,380	74	(228)	(154)	**635,226**	401,360
2,054	—	—	—	**2,054**	2,059
(35)	—	—	—	**(35)**	—
2,019	—	—	—	**2,019**	2,059
965,447	74	253	327	**965,774**	714,369
4,173,589	1,625	1,972	3,597	**4,177,186**	3,462,748
$ 5,139,036	$ 1,699	$ 2,225	$ 3,924	**$ 5,142,960**	$ 4,177,117

Combining Statement of Changes in Financial Position
Pension Trust and Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Pension Trust Funds				
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Account	Administration Fund
Sources of Working Capital:					
Operations:					
Net Income (Loss)	$ 940,998	$ 11,247	$ 6,562	$ 6,936	$ (296)
Items Not Requiring Working Capital:					
Depreciation	—	—	—	—	127
Amortization of Net Loss on Securities Exchanged	—	—	—	(1,455)	—
Compensated Absences	—	—	—	—	37
Working Capital Provided by Operations	940,998	11,247	6,562	5,481	(132)
Sale of Fixed Assets	—	—	—	—	—
Increase in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	69
Total Sources of Working Capital	940,998	11,247	6,562	5,481	(63)
Uses of Working Capital:					
Acquisition of Property, Plant, and Equipment	—	—	—	—	201
Increase in Long-Term Investments	—	—	—	611,824	—
Increase (Decrease) in Equity in Pooled Assets	940,652	11,236	6,615	(958,503)	—
Total Uses of Working Capital	940,652	11,236	6,615	(346,679)	201
Net Increase (Decrease) in Working Capital	$ 346	$ 11	$ (53)	$ 352,160	$ (264)
Elements of Net Increase (Decrease) in Working Capital:					
Cash and Cash Equivalents	$ 5	$ —	$ —	$ (1,980)	$ 587
Receivables	2,481	9	(20)	7,995	3
Securities	—	—	—	348,173	—
Inventories	—	—	—	—	—
Payables, Deposits, and Other Liabilities	181	(9)	21	(2,028)	(854)
Retirement Benefits Payable	(2,029)	13	(54)	—	—
Retirement Refunds Payable	(292)	(2)	—	—	—
Net Increase (Decrease) In Working Capital	$ 346	$ 11	$ (53)	$ 352,160	$ (264)

See Notes to the Financial Statements.

Total Pension Trust Funds	Nonexpendable Trust Funds: Virginia Museum of Fine Arts	Nonexpendable Trust Funds: Department of Corrections	Total Nonexpendable Trust Funds	Totals: Year Ended June 30, 1986	Totals: Year Ended June 30, 1985
$ 965,447	$ 74	$ 253	$ 327	$ 965,774	$ 714,369
127	—	3	3	130	95
(1,455)	—	—	—	(1,455)	(7,532)
37	—	—	—	37	40
964,156	74	256	330	964,486	706,972
—	—	—	—	—	6,424
69	—	—	—	69	—
964,225	74	256	330	964,555	713,396
201	—	3	3	204	609
611,824	22	—	22	611,846	607,415
—	—	—	—	—	—
612,025	22	3	25	612,050	608,024
$ 352,200	$ 52	$ 253	$ 305	$ 352,505	$ 105,372
$ (1,388)	$ 53	$ 146	$ 199	$ (1,189)	$ 1,203
10,468	—	53	53	10,521	10,695
348,173	—	1	1	348,174	93,565
—	—	31	31	31	46
(2,689)	(1)	22	21	(2,668)	499
(2,070)	—	—	—	(2,070)	(1,694)
(294)	—	—	—	(294)	1,058
$ 352,200	$ 52	$ 253	$ 305	$ 352,505	$ 105,372

Combining Statement of Changes in Assets and Liabilities
All Agency Funds

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	Balance (Restated) July 1, 1985	Additions	Deletions	Balance June 30, 1986
Funds for the Collection of Taxes and Fees				
Assets				
Cash and Cash Equivalents	$ 33,038	$ 386,697	$ 376,935	$ 42,800
Accounts Receivable	4	31,836	4	31,836
Total Assets	$ 33,042	$ 418,533	$ 376,939	$ 74,636
Liabilities				
Due to Other States	$ 164	$ 3,880	$ 4,014	$ 1,150
Amounts Due to Localities	32,878	414,653	372,925	73,486
Total Liabilities	$ 33,042	$ 418,533	$ 376,939	$ 74,636
Legal Settlement Funds				
Assets				
Cash and Cash Equivalents	$ 131	$ 336	$ 268	$ 199
Accounts Receivable		269		269
Total Assets	$ 131	$ 605	$ 268	$ 468
Liabilities				
Deposits Pending Distribution				
Total Liabilities	$ 131	$ 337	$ 268	$ 468
	$ 131	$ 337	$ 268	$ 468
Employee Benefits				
Assets				
Cash and Cash Equivalents				
Total Assets	$ 70,527	$ 1,078,633	$ 1,078,298	$ 70,862
	$ 70,527	$ 1,078,633	$ 1,078,298	$ 70,862
Liabilities				
Employee Benefits Payable				
Total Liabilities	$ 70,527	$ 1,078,633	$ 1,078,298	$ 70,862
	$ 70,527	$ 1,078,633	$ 1,078,298	$ 70,862
Mined Land Deposits				
Assets				
Cash and Cash Equivalents				
Total Assets	$ 5,566	$ 1,744	$ 126	$ 7,184
	$ 5,566	$ 1,744	$ 126	$ 7,184
Liabilities				
Deposits Pending Distribution				
Total Liabilities	$ 5,566	$ 1,744	$ 126	$ 7,184
	$ 5,566	$ 1,744	$ 126	$ 7,184
Deposits of Insurance Carriers				
Assets				
Investments				
Total Assets	$ 112,883	$ 20,429	$ 8,616	$ 124,696
	$ 112,883	$ 20,429	$ 8,616	$ 124,696
Liabilities				
Due to Providers				
Total Liabilities	$ 112,883	$ 20,429	$ 8,616	$ 124,696
	$ 112,883	$ 20,429	$ 8,616	$ 124,696
Local Government Investment Pool				
Assets				
Cash and Cash Equivalents				
Total Assets	$ 36,353	$ 137,340	$ 104,000	$ 69,693
	$ 36,353	$ 137,340	$ 104,000	$ 69,693
Liabilities				
Amounts Due to Localities				
Total Liabilities	$ 36,353	$ 137,340	$ 104,000	$ 69,693
	$ 36,353	$ 137,340	$ 104,000	$ 69,693
Insurance Funds				
Assets				
Cash and Cash Equivalents				
Accounts Receivable	$ 2,334	$ 11,471	$ 10,670	$ 4,175
Total Assets	5	36	5	36
	$ 2,339	$ 11,507	$ 10,675	$ 4,169
Liabilities				
Due to Providers				
Total Liabilities	$ 2,339	$ 11,507	$ 10,675	$ 4,169
	$ 2,339	$ 11,507	$ 10,675	$ 4,169
Federal Aviation Fund				
Assets				
Cash and Cash Equivalents				
Accounts Receivable	$	$ 11,646	$ 11,646	$
Total Assets		39		39
	$	$ 11,685	$ 11,646	$ 39
Liabilities				
Amounts Due to Localities				
Total Liabilities	$	$ 11,685	$ 11,646	$ 39
	$	$ 11,685	$ 11,646	$ 39
Support Enforcement				
Assets				
Cash and Cash Equivalents				
Total Assets	$ 3,579	$ 12,217	$ 11,560	$ 4,236
	$ 3,579	$ 12,217	$ 11,560	$ 4,236
Liabilities				
Due to Providers				
Total Liabilities	$ 3,579	$ 12,217	$ 11,560	$ 4,236
	$ 3,579	$ 12,217	$ 11,560	$ 4,236
Totals—All Agency Funds				
Assets				
Cash and Cash Equivalents				
Investments	$ 146,176	$ 1,630,163	$ 1,608,139	$ 199,149
Accounts Receivable	112,883	20,429	8,616	124,696
Total Assets	6	12,138	6	12,138
	$ 261,467	$ 1,702,599	$ 1,608,083	$ 355,983
Liabilities				
Deposits Pending Distribution	$ 5,717	$ 2,291	$ 356	$ 7,652
Amounts Due to Localities	69,231	572,564	388,367	143,218
Employee Benefits Payable	70,527	1,078,633	1,078,298	70,862
Due to Providers	115,840	44,111	36,630	123,321
Due to Other States	164	3,880	4,014	1,030
Total Liabilities	$ 261,467	$ 1,702,599	$ 1,608,083	$ 355,983

See Notes to the Financial Statements.

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for the land, buildings, improvements, and equipment, which are accounted for in the governmental funds. Fixed assets of the proprietary fund types and similar trusts and the Higher Education Fund are accounted for within those funds. Infrastructures, including highways, bridges, and rights-of-way are not capitalized.

The General Fixed Assets Account Group is stated at historical cost or estimated historical cost, with no provision made for depreciation; however, for management purposes, depreciation is calculated using the straight-line method.

The implementation of the fixed assets accounting and control system, which was completed by June 30, 1986, has resulted in the inclusion of values for materially all land, buildings, improvements, equipment, and construction in the financial statements.

Analysis

At June 30, 1986, the general fixed assets recorded in the fixed assets accounting system totaled $1.2 billion. $52.3 million in fixed assets were acquired in fiscal 1986, $24.0 million were deleted, and an additional $395.2 million were implemented.

Schedule of General Fixed Assets by Source

June 30, 1986
(Dollars in Thousands)

General Fixed Assets:	
Land	$ 166,703
Buildings	570,529
Equipment	332,422
Improvements Other than Buildings	112,530
Construction in Progress	2,065
Total General Fixed Assets	$ 1,184,249
Investments in General Fixed Assets from:	
Capital Lease Obligations	$ 14,159
General Obligation Bonds	11,950
Federal Grants	29,026
Nonfederal Grants	72
General Fund Revenues	733,437
Special Fund Revenues	323,913
Gifts and Donations	30,655
Local Funds	556
Other Funds	40,481
Total Investment in General Fixed Assets, at Cost	$ 1,184,249

See Notes to the Financial Statements.

Schedule of General Fixed Assets By Function and Activity

June 30, 1986
(Dollars in Thousands)

Function and Activity	Land	Buildings	Improvements Other than Buildings	Equipment	Total
Education	$ 5,775	$ 46,898	$ —	$ 15,960	$ 68,633
Administration of Justice	24,990	98,549	404	57,418	181,361
Individual and Family Services	18,861	161,461	5,264	44,651	230,237
Resources and Economic Development	52,913	29,983	7,144	32,291	122,331
Transportation	24,047	103,171	96,975	160,764	384,957
General Government	39,354	56,419	161	15,848	111,782
Capital Projects	763	74,043	2,576	229	77,611
Enterprises	—	5	6	5,261	5,272
Total General Fixed Assets Allocated to Functions	$ 166,703	$ 570,529	$ 112,530	$ 332,422	1,182,184
Construction in Progress					2,065
Total General Fixed Assets					$ 1,184,249

See Notes to the Financial Statements.

Schedule of Changes in General Fixed Assets By Function and Activity

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

Function and Activity	(Restated) General Fixed Assets July 1, 1985	Additional Implementation	Acquisitions	Deletions	General Fixed Assets June 30, 1986
Education	$ 52,233	$ 15,935	$ 471	$ 6	**$ 68,633**
Administration of Justice	101,223	72,148	8,302	312	**181,361**
Individual and Family Services	204,505	20,689	6,509	1,466	**230,237**
Resources and Economic Development	82,090	35,659	4,619	37	**122,331**
Transportation	156,468	226,059	3,460	1,030	**384,957**
General Government	94,256	15,928	1,735	137	**111,782**
Capital Projects	47,589	5,540	24,482	—	**77,611**
Construction in Progress	20,862	—	2,188	20,985	**2,065**
Enterprises	1,500	3,217	555	—	**5,272**
Total General Fixed Assets	$ 760,726	$ 395,175	$ 52,321	$ 23,973	**$ 1,184,249**

See Notes to the Financial Statements.

Sherwood Forest

The long political career of John Tyler included service as a member of the Virginia House of Delegates and Senate, governor of Virginia, member of the United States House of Representatives and Senate, vice president and tenth president of the United States. He was serving in the Confederate Congress when he died in 1862. His Charles City County estate, which he purchased in 1842, was originally called Creek Plantation but was renamed Sherwood Forest by President Tyler who likened himself to Robin Hood.

The original frame house was built about 1790. Tyler doubled its size by adding a covered passage to the east to connect the kitchen and laundry to the house and a corresponding west wing for his office, and a ballroom. As a result of these additions, the house extends nearly 300 feet, making it one of the longest private dwellings in America. Still occupied by members of the Tyler family, Sherwood Forest contains much of the furniture and possessions of the president. The grounds are open to the public, while the house is open by appointment.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is utilized to account for the outstanding principal balances of the Commonwealth's long-term obligations not reported in the proprietary fund types or similar trust funds or the Higher Education Fund. These include general obligation bonds for capital projects and certain revenue-producing capital projects, which are all backed by the full faith, credit, and taxing power of the Commonwealth, as well as the long-term portion of the liability for compensated absences, and the long-term portion of capital lease obligations. Also included are the long-term debt of the Virginia Port Authority, the Virginia Public School Authority, the Virginia Public Building Authority, and the Norfolk-Virginia Beach Toll Road, which are not backed by the Commonwealth. Listed below are the bonds backed by the Commonwealth:

Analysis

During fiscal year 1986, principal payments on Section 9(b) general obligation bonds amounted to $6.6 million. As a result of Virginia's conservative stance on incurring debt, as well as other factors, Virginia is one of the few states to consistently maintain a "triple A" bond rating.

Type of Bonds	Issuance Amount	Amount Paid to Date	Defeased Amount	Balance June 30, 1986
Transportation Facilities Bonds				
Series 1973	$103,000,000	$56,000,000	$47,000,000	$ —
Series 1982	57,000,000	—	—	**57,000,000**
Public Facilities Bonds				
Series 1978	125,000,000	46,100,000	—	**78,900,000**

Statement of Changes in General Long-Term Debt

For the Fiscal Year Ended June 30, 1986
(Dollars in Thousands)

	(Restated) Balance July 1, 1985	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 1986
Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Article X, Sections 9(b) and 9(c) Bonds:				
Public Facilities Bonds, Series 1978	$ 85,475	$ —	$ 6,575	**$ 78,900**
Transportation Facilities Bonds, Series 1982	57,000	—	—	**57,000**
Total Sections 9(b) and 9(c) Bonds	142,475	—	6,575	**135,900**
Other Long-Term Debt:				
Long-Term Capital Lease Obligations	8,201	1,203	—	**9,404**
Long-Term Portion of the Liability for Compensated Absences	115,916	8,587	—	**124,503**
Total Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth	266,592	9,790	6,575	**269,807**
Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Norfolk-Virginia Beach Toll Revenue Bonds, Series 1965	19,955	—	1,140	**18,815**
Virginia Port Authority Long-Term Debt	30,487	34,215	4,634	**60,068**
Virginia Public School Authority Bonds	198,670	41,820	17,250	**223,240**
Virginia Public Building Authority Long-Term Debt	105,920	—	2,470	**103,450**
Total Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	355,032	76,035	25,494	**405,573**
Total General Long-Term Debt Account Group	$ 621,624	$ 85,825	$ 32,069	**$ 675,380**

See Notes to the Financial Statements.

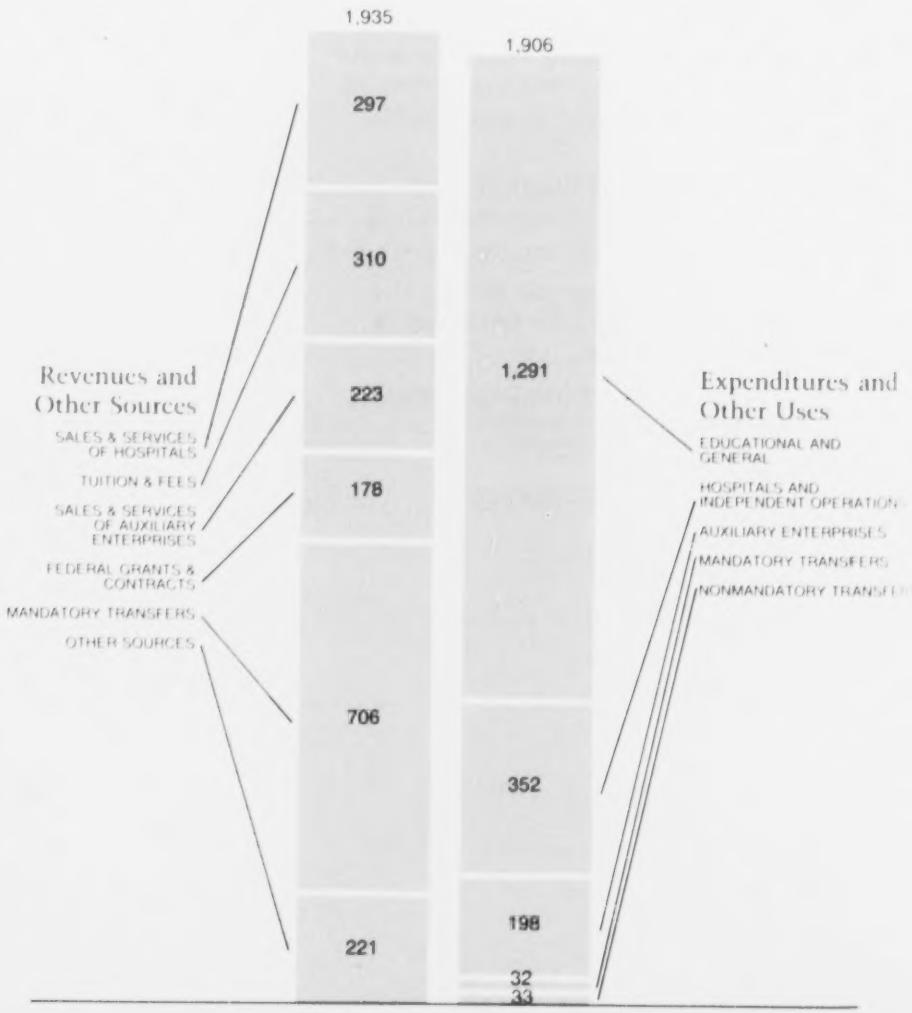
Higher Education Fund

The Higher Education Fund is maintained to account for the resources received and used in the operation of the Commonwealth's institutions of higher education and the medical teaching hospitals administered by the governing boards of these institutions. The Higher Education Fund has been presented in conformance with the National Association of College and University Business Officers' (NACUBO) and the American Institute of Certified Public Accountants' (AICPA) recommended formats.

Analysis

In 1986, current funds revenues and other sources totaled $1,935 million, composed primarily of transfers from other funds, sales and services of hospitals, student tuition and fees, sales and services of auxiliary enterprises, and federal grants and contracts. Expenditures and other uses, 68% of which was attributable to educational and general expenditures, came to $1,906 million. The net increase in fund balance for the current funds in 1986 was $29 million.

Higher Education
Current Funds
Revenues and Expenditures
Fiscal Year 1986
DOLLARS IN MILLIONS



Fifteen four-year State colleges and universities, one two-year college, two medical teaching hospitals, a community college system consisting of 23 two-year colleges, and the Virginia Institute of Marine Science comprise the Higher Education Fund:

Four-year State Colleges and Universities

- Christopher Newport College
- Clinch Valley College
- George Mason University
- James Madison University
- Longwood College
- Mary Washington College
- Norfolk State University
- Old Dominion University
- Radford University
- The College of William and Mary
- University of Virginia
- Virginia Commonwealth University
- Virginia Military Institute
- Virginia Polytechnic Institute and State University
- Virginia State University

Two-year Community Colleges

- Blue Ridge
- Central Virginia
- Dabney S. Lancaster
- Danville
- Eastern Shore
- Germanna
- J. Sargeant Reynolds
- John Tyler
- Lord Fairfax
- Mountain Empire
- New River
- Northern Virginia
- Patrick Henry
- Paul D. Camp
- Piedmont Virginia
- Rappahannock
- Southside Virginia
- Southwest Virginia
- Thomas Nelson
- Tidewater
- Virginia Highlands
- Virginia Western
- Wytheville

Medical Teaching Hospitals

- Virginia Commonwealth University—Medical College of Virginia Hospital Division
- University of Virginia Hospital Division

Two-year College

- Richard Bland College

Virginia Institute of Marine Science

Combining Balance Sheet
Higher Education Fund

June 30, 1986

(Dollars in Thousands)

	June 30, 1986	June 30, 1985
Assets		
Current Funds:		
Cash and Cash Equivalents	$ 195,824	$ 153,670
Accounts Receivable (Net):		
Hospitals	51,092	80,076
Estimated Amounts Due from Third Party Payors	9,002	5,953
Grants and Contracts	20,588	11,661
Other	17,247	20,050
Accrued Interest Receivable	2,289	1,510
Due from Other Funds	9,716	6,477
Investments	9,492	4,512
Inventories	18,955	17,607
Prepaid Expenses	4,739	2,648
Other Assets	477	1,237
Total Current Funds	339,421	305,401
Loan Funds:		
Cash and Cash Equivalents	5,760	4,966
Accounts Receivable (Net)	218	96
Notes Receivable (Net)	53,141	49,403
Due from Other Funds	61	223
Investments	308	283
Other Assets	5	11
Total Loan Funds	59,493	54,982
Endowment and Similar Funds:		
Cash and Cash Equivalents	21,077	8,906
Loans Receivable	10,677	
Accrued Interest Receivable	52	2,301
Due from Other Funds	17,604	27,630
Investments	385,993	317,307
Other Assets	750	
Total Endowment and Similar Funds	436,153	356,144
Plant Funds:		
Cash and Cash Equivalents	217,650	259,539
Accounts Receivable (Net)	449	814
Due from Other Funds	19,105	2,587
Investments	30,424	8,906
Assets Held by Bond Trustees	34,011	32,631
Other Assets	6,896	6,769
Investment in Plant:		
Land	89,103	89,062
Improvements Other than Buildings	90,170	74,574
Buildings	1,287,441	1,190,278
Equipment	607,197	518,373
Construction in Progress	166,845	173,628
Livestock	930	851
Total Plant Funds	2,550,221	2,358,012
Agency Funds:		
Cash and Cash Equivalents	10,741	8,912
Due from Other Funds	1	2
Investments	343	796
Other Assets	441	46
Total Agency Funds	$ 11,526	$ 9,756

See Notes to the Financial Statements.

	June 30, 1986	June 30, 1985
Liabilities and Fund Balances		
Current Funds:		
Accounts Payable	$ 58,694	$ 73,744
Advance from Treasurer of Virginia	2,171	4,024
Other Liabilities	—	636
Grants and Contract Prepayments	3,521	3,000
Due to Other Funds	13,100	11,645
Deposits and Deferred Revenues	28,416	30,144
Accrued Liability for Compensated Absences	53,627	31,001
Fund Balances:		
Unrestricted	108,004	84,726
Restricted	71,888	66,481
Total Current Funds	339,421	305,401
Loan Funds:		
Accounts Payable	179	192
Due to Other Funds	123	263
Fund Balances:		
U.S. Government Grants Refundable	49,897	42,002
University Funds—Restricted	9,294	12,525
Total Loan Funds	59,493	54,982
Endowment and Similar Funds:		
Collateral Deposits	20,944	17,751
Notes Payable	153	2,562
Other Liabilities	3,612	
Bonds Payable	14,400	31,859
Fund Balances:		
Life Income and Annuity	1,459	1,230
Endowment	140,970	128,029
Quasi-endowment—Unrestricted	127,115	87,259
Quasi-endowment—Restricted	127,500	87,454
Total Endowment and Similar Funds	436,153	356,144
Plant Funds:		
Accounts Payable	18,853	9,850
Notes Payable	18,840	9,134
Due to Other Funds	17,173	34,414
Bonds Payable	482,299	474,521
Capital Lease Obligations	1,948	6,396
Fund Balances:		
Unexpended	67,154	40,743
Renewals and Replacements	4,427	8,950
Retirement of Indebtedness	82,319	89,014
Net Investment in Plant	1,857,208	1,684,990
Total Plant Funds	2,550,221	2,358,012
Agency Funds:		
Deposits Held in Custody for Others	11,503	9,736
Other Liabilities	16	20
Due to Other Funds	7	
Total Agency Funds	$ 11,526	$ 9,756

Combining Statement of Changes in Fund Balances
Higher Education Fund

For the Fiscal Year Ended June 30, 1986

(Dollars in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and Other Additions:				
Unrestricted Current Funds Revenues	$ 952,462	$ —	$ —	$ —
State Appropriations	—	19,645	—	—
Federal Appropriations—Unrestricted	—	11,396	—	—
Federal Grants and Contracts—Restricted	—	184,704	1,035	14
State Grants and Contracts—Restricted	—	14,078	—	—
Local Grants and Contracts—Restricted	—	10,530	—	—
Private Gifts, Grants, and Contracts—Restricted	—	47,685	37	3,993
Investment Income	—	3,680	277	481
Endowment Income	—	10,641	69	11
Interest on Loans Receivable	—	—	1,760	—
U. S. Government Advances	—	1,145	811	—
Expended for Plant Facilities (including $72,952 charged to current funds)	—	—	—	—
Retirement of Indebtedness (including $4,011 charged to current funds)	—	—	—	—
Realized Gain on Investments	—	18	10	45,898
Unrealized Gain on Investments	—	—	—	34,841
Other Sources	—	3,866	1,167	377
Total Revenues and Other Additions	952,462	307,388	5,166	85,615
Expenditures and Other Deductions:				
Educational and General Expenditures	1,029,246	262,201	—	—
Auxiliary Enterprise Expenditures	197,743	542	—	—
Hospital Expenditures	351,333	198	—	—
Independent Operations Expenditures	—	108	—	—
Indirect Costs Recovered	—	30,099	—	—
Refunded to Grantors	—	177	38	20
Loan Cancellations	—	—	440	—
Administrative and Collection Costs	—	—	770	—
Expended for Plant Facilities (including non-capitalized expenditures of $9,384)	—	—	—	—
Retirement of Plant Facilities	—	—	—	—
Retirement of Indebtedness	—	—	—	—
Interest on Indebtedness	—	—	—	—
Write-Down of Plant Assets	—	—	—	—
Other	—	224	—	418
Total Expenditures and Other Deductions	1,578,322	293,549	1,248	438
Transfers Among Funds:				
Mandatory:				
Appropriations Act	(53)	—	—	—
Debt Service and Other (includes Educational and General)	673,225	183	128	6
Nonmandatory:				
Debt Service and Other	(2,438)	(159)	—	—
(To)/From Other Funds	(21,596)	(8,456)	618	7,889
Total Transfers	649,138	(8,432)	746	7,895
Net Increase (Decrease) for the Year	23,278	5,407	4,664	93,072
Fund Balance, July 1, as adjusted	84,726	66,481	54,527	303,972
Fund Balance, June 30	$ 108,004	$ 71,888	$ 59,191	$ 397,044

See Notes to the Financial Statements.

Plant Funds			
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
$ —	$ —	$ —	$ —
36,347	1,126	—	—
—	—	—	—
98	1	—	—
43	—	—	—
1,004	46	—	—
5,972	—	605	11,506
2,871	66	6,042	—
125	—	—	—
—	—	—	—
—	—	—	—
—	—	—	135,326
—	—	—	38,992
—	—	—	—
—	—	—	—
7,881	27	16,919	841
54,341	1,266	23,566	186,665
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
65,674	6,084	—	—
—	—	—	11,280
—	—	34,981	—
—	—	32,258	—
—	—	—	1,786
3,629	100	2,165	6
69,303	6,184	69,404	13,072
—	—	—	—
18,476	142	38,396	(1,620)
1,903	—	694	—
20,994	253	53	245
41,373	395	39,143	(1,375)
26,411	(4,523)	(6,695)	172,218
40,743	8,950	89,014	1,684,990
$ 67,154	$ 4,427	$ 82,319	$ 1,857,208

Combining Statement of Current Funds Revenues, Expenditures, and Other Changes Higher Education Fund

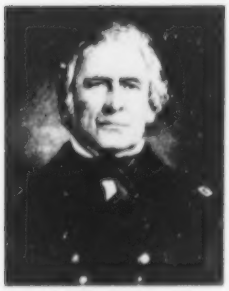
For the Fiscal Year Ended June 30, 1986

(Dollars in Thousands)

	Current Funds		Totals Year Ended	
	Unrestricted	Restricted	June 30, 1986	June 30, 1985
Revenues:				
Student Tuition and Fees	$ 310,465	$ 13	**$ 310,478**	$ 289,541
State Appropriations	35,171	17,220	**52,391**	40,715
Federal Government Appropriations	33	15,398	**15,431**	13,476
Federal Grants and Contracts	28,387	149,478	**177,865**	151,632
State Grants and Contracts	442	16,686	**17,128**	11,358
Local Grants and Contracts	993	10,154	**11,147**	9,573
Private Gifts, Grants, and Contracts	5,810	44,336	**50,146**	42,354
Endowment Income	5,787	8,378	**14,165**	12,793
Sales and Services of Educational Departments	10,396	17	**10,413**	11,573
Sales and Services of Auxiliary Enterprises	223,141		**223,141**	188,267
Sales and Services of Hospitals	297,367		**297,367**	315,498
Sales and Services of Independent Operations		100	**100**	1,305
Sales and Services of Vending Commissions	602		**602**	59
Investment Income	1,071	31	**1,102**	2,200
Indirect Cost Recovery	32		**32**	12
Other Sources	32,765	1,055	**33,820**	26,896
Total Current Revenues	952,462	262,866	**1,215,328**	1,117,252
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	521,461	35,574	**557,035**	505,886
Research	38,722	115,702	**154,424**	122,833
Public Service	30,406	25,318	**55,724**	53,847
Academic Support	132,481	6,186	**138,667**	130,414
Student Services	56,785	5,423	**62,208**	58,177
Institutional Support	141,589	2,421	**144,010**	139,079
Operation and Maintenance of Plant	98,771	565	**99,336**	91,817
Scholarships and Fellowships	9,031	70,365	**79,396**	60,929
Financial Assistance for Educational and General Services		647	**647**	722
Total Educational and General	1,029,246	262,201	**1,291,447**	1,163,704
Mandatory Transfers for Debt Service and Other	(705,515)	(183)	**(705,698)**	(603,487)
Total Educational and General Expenditures and Mandatory Transfers	323,731	262,018	**585,749**	560,217
Auxiliary Enterprises:				
Operating Expenditures	197,743	542	**198,285**	176,518
Mandatory Transfers for Debt Service	23,452		**23,452**	19,497
Total Auxiliary Enterprise Expenditures and Mandatory Transfers	221,195	542	**221,737**	196,015
Hospitals and Independent Operations:				
Operating Expenditures	351,333	306	**351,639**	417,576
Mandatory Transfers for Debt Service	8,891		**8,891**	23,614
Total Hospital and Independent Operations Expenditures and Mandatory Transfers	360,224	306	**360,530**	441,190
Total Expenditures and Mandatory Transfers	905,150	262,866	**1,168,016**	1,097,422
Other Transfers and Additions (Deductions):				
Excess of Restricted Receipts Over Transfers to Revenues		14,199	**14,199**	15,984
Refunded to Grantors		(177)	**(177)**	(141)
Nonmandatory Transfers	(24,034)	(8,615)	**(32,649)**	(30,866)
Net Increase (Decrease) in Fund Balance	$ 23,278	$ 5,407	**$ 28,685**	$ 4,807

See Notes to the Financial Statements

Montebello



Zachary Taylor, twelfth president of the United States, was born at Montebello in Orange County on November 24, 1784. It is believed that the house in which he was born was replaced by the present guest house on the estate sometime in the nineteenth century.

Richard Taylor, the president's father, had served as a lieutenant colonel in the Revolutionary war. In 1783, he received a land grant in Kentucky, but before moving his family to the frontier, Taylor traveled ahead to build a house on land in present-day Louisville. In her husband's absence, Sarah Strother Taylor stayed with a relative, William Johnson of Montebello, and there the Taylor's third son, Zachary, was born. In the spring of 1785, the Taylors headed west to their new home in Kentucky where Zachary Taylor was reared.

The main house at Montebello was built in 1803 by Valentine Johnson, enlarged in the 1850s and extensively remodeled in the late-nineteenth century. In the 1920s, the house was again remodeled, removing the house of its earlier decorative details. Montebello is privately owned and not open to the public. The photograph below was taken in 1906.

Woodrow Wilson's Birthplace

Thomas Woodrow Wilson, the twenty-eighth president, was born in the manse of the First Presbyterian Church in Staunton on December 28, 1856. The son of the Reverend Joseph Ruggles Wilson and his wife Jessie, Wilson spent the better part of his first year at the manse before his father accepted the pastorate of a church in Augusta, Georgia and moved the family there in November 1857.

The birthplace is a rectangular two-story Greek Revival brick building built in 1846 and situated on a banked site which allows for a raised basement at the rear. A simple one-story pedimented portico shelters the east front entrance, while a large flat-roofed two-story portico with colossal Doric columns projects from the rear. The portico overlooks a terraced garden lined with brick walkways and planted with boxwood and fruit trees. The building is open to the public.

Statistical Section

The financial presentations included in this section provide comparisons of economic and social characteristics, and financial trends over a ten-year period. The statistical data presented is intended to give users of the financial statements, as well as the investment community, a better historical perspective to and assessment of the current financial status and trends of the Commonwealth.

•••••Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

Ten-Year Schedule of Revenues--Budgetary Basis
All Budgetary Funds[1] by Source

(Dollars in Millions)

	Fiscal Year Ended June 30,									
	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Tax Revenues:										
Individual and Fiduciary Income	$ 2,174.3	$ 1,948.2	$ 1,770.7	$ 1,552.1	$ 1,446.1	$ 1,288.8	$ 1,103.0	$ 966.6	$ 874.8	$ 714.1
Sales and Use	1,023.0	930.6	835.5	723.7	670.5	645.2	594.9	534.7	489.2	426.8
Motor Fuels	311.6	331.5	326.9	310.6	314.6	311.4	279.9	292.1	275.0	265.2
Corporation Income	280.8	287.7	242.7	183.2	177.0	182.3	193.8	196.2	164.8	159.2
Public Service Corporations	135.0	138.4	121.5	118.5	105.6	104.1	105.3	96.4	106.4	90.4
Payroll - Unemployment Compensation	213.0	281.3	280.0	199.0	172.9	141.7	107.8	95.2	88.9	73.6
Motor Vehicle Sales and Use	151.9	132.2	116.5	88.0	73.3	67.7	64.3	72.3	68.9	58.4
Gross Premiums of Insurance Companies	131.2	108.6	97.0	87.1	84.4	80.1	76.5	73.3	65.2	59.6
Alcoholic Beverage - Sales Tax	61.8	57.4	55.7	44.8	45.5	42.6	39.7	36.7	34.4	32.1
Deeds, Contracts, Wills and Suits	76.6	59.8	54.6	37.6	29.0	31.8	30.6	32.9	29.8	24.8
Beer and Beverage Excise	35.8	35.3	34.9	33.7	33.1	32.8	31.5	31.3	29.6	27.5
Estate	19.9	28.1	26.3	17.8	21.4	19.5	26.5	25.3	23.1	18.8
Tobacco Products	17.2	16.9	17.1	17.5	17.8	17.9	17.3	17.5	17.9	17.8
Capital Not Otherwise Taxed		(2)	11.1	11.7	15.1	13.4	13.1	10.9	10.6	9.7
Bank Stock	2.9	2.6	2.4	2.3	2.6	1.8	2.0	2.8	3.1	3.7
Wine and Spirits/ABC Liter	3.2	3.4	3.2	3.8	3.0	3.7	3.7	3.8	3.1	3.2
Cutts - Resident and Nonresident		1	1	1	4	3	8	1.0	1.1	5.1
Other Taxes	108.8	112.4	103.2	99.8	26.6	21.4	15.7	19.0	27.6	5.2
Total Tax Revenues	4,747.0	4,474.3	4,099.4	3,531.3	3,238.9	3,006.5	2,706.4	2,508.0	2,413.5	1,995.2
Other Revenues:										
Federal and Other Grants, Donations, and Federal Revenue Sharing	1,680.9	1,421.7	1,336.1	1,240.4	1,244.0	1,443.5	1,326.8	1,167.7	1,108.1	976.1
Institutional Revenue	1,048.3	933.8	856.5	734.7	669.7	589.0	511.9	438.2	408.6	374.0
Sales of Property and Commodities	259.8	250.0	250.1	261.5	258.0	247.2	235.0	217.8	243.6	195.0
Rights and Privileges	344.1	306.2	276.1	255.2	201.3	199.4	178.3	182.3	168.7	167.2
Interest, Dividends, and Rents	148.7	141.2	86.2	94.2	117.5	97.0	91.8	70.1	122.8	119.7
Fines, Forfeitures, Costs, Penalties, and Escheats	60.1	55.3	49.8	47.2	47.6	33.7	26.1	29.9	25.7	13.8
Assessments - Special Services	23.0	16.0	14.3	15.3	17.6	12.0	11.7	9.5	11.2	9.7
Other Revenues	188.3	161.6	146.6	123.7	134.5	173.5	125.9	156.3	76.2	60.6
Total Other Revenues	3,743.2	3,275.8	3,015.7	2,772.2	2,680.2	2,795.3	2,507.5	2,271.8	2,164.9	1,916.1
Total Revenues	$ 8,490.2	$ 7,750.1	$ 7,115.1	$ 6,303.5	$ 5,919.1	$ 5,801.8	$ 5,213.9	$ 4,779.8	$ 4,468.4	$ 3,911.3

(1) Includes all Governmental, Proprietary, and Higher Education Funds
Source: Department of Accounts

Ten-Year Schedule of Expenditures—Budgetary Basis
All Budgetary Funds[1] by Function and Object

(Dollars in Millions)

	Fiscal Year Ended June 30,									
	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Expenditures by Function:										
Education	$2,961.1	$2,632.6	$2,356.7	$2,170.2	$2,048.9	$1,916.3	$1,722.0	$1,602.5	$1,594.8	$1,473.2
Administration of Justice	626.3	548.5	502.0	480.7	429.7	338.9	266.9	234.7	186.4	163.6
Individual and Family Services	2,387.0	2,191.3	2,058.0	2,043.9	1,991.6	1,853.0	1,594.4	1,372.8	856.2	782.1
Resources and Economic Development	223.6	199.7	173.6	165.2	156.0	144.5	125.9	114.1	297.8	289.6
Transportation	1,330.7	1,064.0	903.0	830.0	732.0	924.1	936.5	936.0	165.8	153.1
General Government	295.5	268.7	232.4	229.9	283.5	289.6	217.2	173.2	148.5	101.0
Enterprises	507.9	485.3	452.9	432.3	306.0	283.5	234.9	240.8	173.0	159.0
Capital Projects	170.0	145.8	170.6	177.7	147.7	157.9	146.3	108.9	673.3	532.7
Other									240.9	210.3
Total Expenditures	$8,502.1	$7,535.9	$6,849.2	$6,529.9	$6,095.4	$5,908.8	$5,264.1	$4,783.0	$4,336.7	$3,864.6
Expenditures by Object:										
Personal Services	$2,473.0	$2,263.9	$2,033.5	$1,941.4	$1,911.2	$1,727.7	$1,623.3	$1,514.8	$1,468.6	$1,312.6
Medical and Other Contractual Services	1,296.7	1,148.4	1,066.0	954.5	1,060.9	930.0	830.2	735.7	709.6	603.2
Supplies and Materials	538.0	522.8	495.0	477.5	527.9	522.6	473.6	419.8	386.5	342.1
Grants and Distributions to Localities	3,058.2	2,704.9	2,476.9	2,406.3	1,922.7	1,916.5	1,557.5	1,401.4	1,209.8	1,108.7
Debt Service	60.8	62.4	47.2	46.4	54.9	51.7	45.4	39.7		
Rent, Insurance, and Other Related Charges	236.5	196.8	181.6	174.5	111.5	108.4	102.3	97.2	221.8	229.7
Recoveries					(163.8)	(142.5)	(135.7)	(114.8)	(131.8)	(145.6)
Land, Equipment, and Other Fixed Assets	846.7	651.7	561.8	549.6	448.4	607.8	643.3	588.3	472.2	413.9
Trust Fund Expenditures					214.4	182.0	122.0	94.9		
Other	(7.8)	(15.0)	(2.8)	(10.3)	7.3	4.6	2.2	6.0		
Total Expenditures	$8,502.1	$7,535.9	$6,849.2	$6,529.9	$6,095.4	$5,908.8	$5,264.1	$4,783.0	$4,336.7	$3,864.6

Programmatic budgeting was implemented on July 1, 1978, causing a realignment of expenditure classifications from previous years. As of July, 1982, recoveries no longer have their own object code. They are now included in each of the expenditure categories. Likewise, the Trust Fund Expenditures are now combined with Rent, Insurance, and Other Related Charges.

[1] Includes all Governmental, Proprietary, and Higher Education Funds.

Source: Department of Accounts.

Computation of Legal Debt Limit and Margin

June 30, 1986

	Fiscal Year Ended June 30,			
	1986	1985	1984	
Computation of Legal Debt Limit				
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax	$2,174,271,339	$1,948,199,184	$1,770,730,389	
Corporate Income Tax	280,767,523	287,746,546	242,706,555	
State Sales and Use Tax	1,023,048,043	930,597,436	835,497,372	
Total	$3,478,086,905	$3,166,543,166	$2,848,934,316	
Average for the three fiscal years			$3,164,521,462	
Debt Limit (1.15 times this average)			$3,639,199,681	
State General Obligation Debt for Capital Projects				
Debt Limit			$3,639,199,681	
Bonds Outstanding:*				
Public Facilities Bonds—Series 1978			78,900,000	
Debt Margin (remaining borrowing limit subject to additional borrowing restriction below)			$3,560,299,681	
Additional Borrowing Restriction:				
Special Authorization Limit—25% of $3,639,199,681			$ 909,799,920	
Total Special Authorization Limit (amount that could be authorized by the General Assembly in the 1987 Session)			$ 909,799,920	
State Debt for Certain Revenue-Producing Capital Projects				
Debt Limit			$3,639,199,681	
Bonds Outstanding:*				
Higher Educational Institutions Bonds—Series 1971		$ 10,200,000		
Higher Educational Institutions Bonds—Series 1973		8,820,000		
Higher Educational Institutions Bonds—Series 1976		12,295,000		
Higher Educational Institutions Bonds—Series 1979		11,850,000		
Higher Educational Institutions Bonds—Series 1981		4,382,000		
Higher Educational Institutions Bonds—Series 1982		11,315,000		
Transportation Facilities Bonds—Series 1982		57,000,000		
Higher Educational Institutions Bonds—Series 1983		63,205,000		
Higher Educational Institutions Bonds—Series 1984		30,550,000		
Higher Educational Institutions Bonds—Series 1985		24,165,000		
Higher Educational Institutions Bonds—Series 1986		41,130,000	274,912,000	
Debt Margin (remaining borrowing limit)			$3,364,287,681	

* Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

Source: Department of Accounts

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures All Governmental Fund Types

Last Six Fiscal Years[1]

(Dollars in Thousands Except Ratio Data)

For the Fiscal Year Ended June 30,	Debt Service[2]	Total Expenditures[3]	Ratio
1986	$60,976	$6,248,189	.98
1985	93,539	5,531,463	1.69
1984	54,933	5,012,860	1.10
1983	65,647	4,580,447	1.43
1982	36,689	4,223,735	.87
1981	25,441	4,238,159	.60

(1) Information is not available prior to 1981.
(2) Includes principal and interest payments related to General Long-Term Debt.
(3) Includes General, Special Revenue, and Capital Projects Funds only.

Source: Department of Accounts

Schedule of Revenue Bond Coverage
General Long-Term Debt

Last Ten Fiscal Years

(Dollars in Thousands Except Coverage)

For the Year Ended June 30,	Total Receipts[1]	Authorized Payments[1]	Net Available for Debt Service	Debt Service Requirements	Coverage[2]
1986	$23,533	$ 8,900	$14,633	$ 5,183	2.82
1985	25,099	12,962	12,137	5,183	2.34
1984	24,067	13,066	11,001	7,416	1.48
1983	22,116	10,647	11,469	4,824	2.38
1982	22,311	9,878	12,433	11,094	1.12
1981	21,325	7,667	13,658	10 413	1.31
1980	19,662	10,337	9,325	12,034	.77
1979	20,817	9,052	11,765	12,450	.94
1978	19,281	5,239	14,042	12,180	1.15
1977	17,853	4,418	13,435	12,130	1.11

(1) Represents actual trust fund receipts and disbursements securing the applicable bonds.
(2) Ideally, the coverage number would be 1.0 or higher. The weighted average for the years 1977 to 1986 is 1.33.

Sources: Department of the Treasury
Statement of the Treasurer's Accountability

Schedule of Revenue Bond Coverage
Higher Education Long-Term Debt

Last Two Fiscal Years[1]

(Dollars in Thousands Except Coverage)

For the Fiscal Year Ended June 30,	Unrestricted Current Funds Beginning Balance	Unrestricted Current Funds Operating Revenues	Unrestricted Current Funds Expenditures and Transfers	Net Available for Debt Service	Debt Service Requirements	Coverage
1986	$84,726	$952,462	$929,184	$108,004	$20,368	5.30
1985	83,090	891,392	895,036	79,446	18,200	4.37

(1) Information is not available prior to 1985.

Sources: Department of Accounts
Department of the Treasury

Schedule of Bank Deposits

Last Ten Years
(Dollars in Millions)

For the Year Ended December 31,	Bank Deposits[1]
1986	NA
1985	$34,757
1984	30,223
1983	27,100
1982	24,344
1981	21,704
1980	19,540
1979	18,757
1978	17,755
1977	16,418

(1) Includes only amounts deposited in insured commercial banks by corporations, governments, and individuals.
NA–Not available at this date.

Source: Federal Deposit Insurance Corporation

Eleven Largest Nonagricultural Industries

June 30, 1986

(Ranked by Average Number of Employees)

Industry	Average Number of Employees
Wholesale and Retail Trade	545,200
Services	537,600
Local Government	226,200
Manufacture of Nondurable Goods	222,100
Manufacture of Durable Goods	201,200
Federal Government	168,100
Construction	151,300
Transportation and Public Utilities	131,800
State Government	123,300
Financial, Insurance, and Real Estate	122,900
Mining	17,300

Source: Virginia Employment Commission (1985 data)

Schedule of Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (In Thousands)	Per Capita Income	Public Primary and Secondary School Enrollment	Unemployment Rate
1986	5,754	$14,501	968,104	5.5%
1985	5,706	13,643	965,222	5.2
1984	5,636	13,291	966,110	5.1
1983	5,556	12,116	975,727	7.3
1982	5,485	11,353	989,548	6.9
1981	5,436	10,553	1,010,371	5.7
1980	5,347	9,413	1,031,403	4.7
1979	5,325	8,457	1,055,238	5.0
1978	5,284	7,623	1,082,184	5.2
1977	5,206	6,881	1,100,165	5.8

Sources: U.S. Department of Commerce, Bureau of the Census
Tayloe Murphy Institute
Department of Taxation
Department of Education
Virginia Employment Commission
Department of Planning and Budget

Schedule of Miscellaneous Statistics

June 30, 1986

Adoption of Virginia Constitution	1776
Form of Government	Legislative, Executive, Judicial
Land area (square miles)	40,817
Miles of State Highways	62,455
State Police Protection:	
Number of Stations	59
Number of State Police	1,410
Higher Education (Universities, Colleges, and Community Colleges):	
Number of Separate Institutions	39
Number of Educators	8,237
Number of Students	254,860
Recreation:	
Number of State Parks	35
Area of State Parks (acres)	53,347
Area of State Forests (acres)	50,000
Classified State Employees	85,265

Sources: Virginia State Library
Department of Highways and Transportation
Department of State Police
State Council of Higher Education
Division of Parks and Recreation
Division of Forestry
Department of Personnel and Training

Department of Accounts

Organization Chart

COMPTROLLER
Edward J. Mazur, C.P.A.

Internal Audit
Director
James R. Barrow

Administrative Asst
Barbara B. Vance

Director, Administration and Public Records
Corliss M. Hanson

Assistant Comptroller
Compliance and Disbursements
Charles H. Taylor, Jr.

Manager, Payroll
Manager, Pre Audit and Compliance
Manager, Benefits Accounting

Assistant Comptroller
Accounting and Reporting
Eddie N. Moore, Jr., C.P.A.

Manager, General Accounting
Manager, Agency Review and Assistance

Manager, Financial Reporting
James A. Davis, C.P.A.
Assistant Manager, Financial Reporting
Kristin A. Reiter, C.P.A.

Staff, Financial Reporting
Dana B. Smith, C.P.A.
R. Fern Spencer
Joseph E. Hubbard
Linda J. Gregory
Ann T. Mann
J. Michele Ryker
Kimberly P. Wooden

Assistant Comptroller
Financial Systems and Data Processing
W. Hoyt Robinson

Manager, Data Processing
Manager, Database Administration
Manager, Systems Development
Manager, Systems Analysis and Programming

Director of Personnel
Ann U. Farson

Overview of Department of Accounts: Major activities of the Department of Accounts include maintaining the general accounting records of the Commonwealth; developing and implementing modern systems of accounting; auditing expenditures to ensure compliance with State laws and supporting administrative regulations; issuing warrants for the disbursement of all State funds; prescribing accounts to be kept by State agencies; prescribing forms for payment of claims and travel vouchers; requiring certification or other evidence as a condition to issuance of warrants; approving date of payment of State salaries; allowing money claims against the Commonwealth; assisting agencies in the monitoring of accounts receivable balances; issuing regulations, memoranda, and forms for the guidance of and use by fiscal and personnel officers of public agencies and institutions regarding the handling of, accounting for and reporting on State funds; preparing reports required for sound financial management on a daily, weekly, monthly, quarterly, and annual basis for distribution to the General Assembly, the Governor, State agencies, and to others interested in State government.